KEEP POSTED

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department, The Magazine of Wall Street, 90 Broad Street, New York, N. Y.

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225)

"TRADING METHODS"
This handbook issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785)

MARGIN REQUIREMENTS
McClave & Co. have prepared a leaflet explaining margin requirements. A copy will be sent on request. (891)

20 LEADING AVIATION STOCKS
This circular, prepared by Dunscombe & Company, members of the New York Stock Exchange, will be sent on request. (937)

MARGIN REQUIREMENTS, COMMISSION CHARGES
J. A. Acosta & Co., have prepared a folder explaining margin requirements, commission charges and trading units. Copies gladly sent investors and traders. (939)

UNITED BULLETIN
Bulletin giving definite advice on leading stocks is issued by United Business Service. Free copy sent on request. (954)

TREND INTERPRETATION
The above named booklet, prepared by T. E. Rassieur, will be sent free on request to interested readers. (992)

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Volume 61 No. 5 — December 18, 1937

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes only The Magazine of Wall Street and Business Analyst, issued bi-weekly; Adjustable Stock Ratings, issued monthly; and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

THE TREND OF EVENTS 267
As I See It. By Charles Benedict 269
The Market at the Turn of the Year. By A. T. Miller 270
Business or Politics. By Ray Tucker 272
Balance Must Be Restored. By John D. C. Weldon 275
Where Industries Stand Today. By Ralph Merrill 277
Happening in Washington. By E. K. T. 278
Aircraft Profit Makers. By Norman Creighton 280
Coca-Cola Company. By Ward Gates 283
Building Stocks Appraised. By Samuel R. Martin 286
Hope Dawns for Spain. By Henry Chapin Plummer 288
Machine Tool Industry Faces Favorable Prospects. By George W. Mathis 290
General Cable Corporation. By George L. Merton 292
Taking Profits Out of Stock Habits. By Frederick K. Dodge 294
Stocks in Favorable Position for Current Purchase. By THE MAGAZINE OF WALL STREET Staff 296
For Profit and Income 298
The Best and Worst Actors in Leading Groups. By Edwin A. Barnes 300
How Leading New Issues Have Fared Marketwise. By J. S. Williams 302
THE BUSINESS ANALYST
Interpreted Statistics 303
ANSWERS TO INQUIRIES 311
New York Stock Exchange 314
Forthcoming Dividend Meetings 319

SUBSCRIPTION PRICE—$7.50 a year in advance in the United States and its possessions, Canada and Pan-American. Foreign, $8.50. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS—Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

Cable Address—Tickerpub.

As We Look Into 1938

To sophisticates who think they are realists because they see life through cynical eyes—the coming year is not hopeful. And because they think so they will deprecate every sign of improvement. They will be marking time, and 1938 will mean just another year. Thus,—they will create nothing—they will have nothing.

To actual realists who see life with clear eyes—who are always adjusting themselves to the new conditions and seeking always for the better day—the coming year will be a good one. A period of progress — because their commonsense will tell them the severe decline has paved the way for substantial improvement in the coming year. On this sensible base they will make their plans. They will move ahead.

Their thoughts and dreams of progress will flow from them to others as inspiration.

Thank God for the builders of faith who carry the world on their backs!

There is no question that 1938 will be a better year than 1937.

To you—our friends and subscribers—we wish the greatest happiness and prosperity,—and a full share in all the good things to come.

C. G. Wyckoff
PUBLISHER

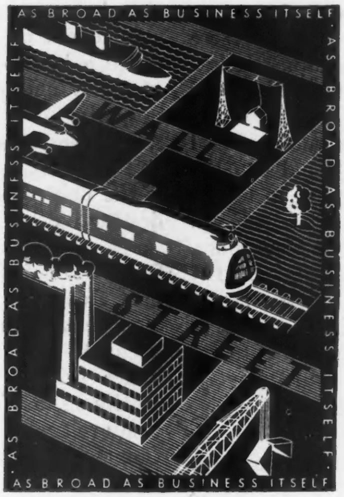
The MAGAZINE of WALL STREET

Fairchild Aerial Surveys, Inc.

If these clouds which overshadow the city of New York are symbolic of those of uncertainty and pessimism which swept over the country in recent months, it is heartening to note a rift through which the sun is shining as the year closes, and 1938 dawns.

THE MAGAZINE OF WALL STREET

E. KENNETH BURGER, *Managing Editor* : C. G. WYCKOFF, *Publisher* : THEODORE M. KNAPPEN, LAURENCE STERN, *Associate Editors*



The Trend of Events

BILLIONS DIVERTED FROM ENTERPRISE . . . Tax exempt bonds in the hands of private investors totaled 4 billion dollars in 1912. In 1923 they had risen to 12 billion. Today Treasury figures reveal that the total outstanding is just over 50 billion. Of this amount 35.5 billion are Federal obligations and close to 15 billion are local government issues.

Here is a staggering amount of wealth largely tied up in non-productive works that can be made to produce little or nothing toward governmental revenue.

Of course it is to be expected in times of high taxation that an increasing proportion of private wealth should seek conservation in such tax exempt issues so long as they are available. It is natural too that States and Municipalities find tax exempt financing the easiest way of raising money at low interest rates. But these things do not alter the fact that the increasing volume of such securities are creating tax inequalities and tying up capital that might well seek more productive channels or be subject to reasonable assessment.

The remedy is of course to call a halt on the tax exempt issues in the future. Nothing can be done honestly about those which were sold as tax exempts. To invalidate by any legislative trick the exemption features in any existing indenture would be as immoral as the abrogation of the gold redemption clause is commonly held to be.

The way out is probably that suggested by a former Secretary of the Treasury, Andrew Mellon. More than ten years ago he proposed to amend the Constitution so as to abolish the exemption of Federal bonds from income tax—but, be it noted, there was no attempt to alter the terms of obligations already outstanding.

MORE FREE SILVER DOLLARS . . . The silverites in Congress are in high hopes that some day before December 31 the President will issue a new proclamation continuing the purchase price of domestic mined silver at 77.57 cents an ounce—some 32 cents above the world price. Of course the President has the power to fix the price higher or lower than the present figure but the prevailing judgment of members of Congress is that the expiring proclamation will be renewed in its present terms. Tremendous pressure is being brought on the Administration to continue what is virtually a subsidization of domestic silver production. The current depression is used to strengthen the argument for it.

Senator Pittman says that if the price of silver is lowered as a result of no further action by the President, 400,000 miners will be thrown out of work and every mine in the country will either close "as they did in 1930 and 1931 or they will cut down their production probably 20 per cent." That means that there will be hundreds of thousands of employees thrown back on the relief rolls. There are, too, it seems other causes con-

tributing to the promotion of unemployment in mining. Lead, zinc and copper have been declining in price, but "there is nothing that the Government can do to stop the immediate fall of the price of copper, lead and zinc, but it is within the Government's power to prevent the associated metal, silver, from falling. The President can do it by signing a simple proclamation so that these mines, in spite of the falling prices of the other metals in the ore, will be able to go on operating." Now this is nothing more nor less than providing relief by inflation. So far as miners are kept on payrolls by the official price of silver, inflation of the currency would pay the cost. The idea is very alluring and amounts to urging the financing of relief by free domestic silver coinage. But there is the danger. If a little relief by that route, why not a lot? If jobs for 400,000 men may be come at by inflation, why not jobs for 4,000,000 or even more? The idea is not only alluring but it is insidious. It is the ancient route of the vice of inflation, which is to get something for nothing, to tax indirectly and furtively.

The general monetary and fiscal situation is so ticklish at this time that another little inflationary match may set a whole straw stack afire, and we may be plunged into all manner of inflation, on the pretense of relieving unemployment, paying debts, and promoting recovery. Actually that is the way all the inflationary conflagrations of history have started.

TRADE BALANCE TURNS UP . . . From present evidence merchandise exports from the United States this year will exceed imports by at least $100,000,000. In 1936 the balance was only $33,000,000. Earlier this year, with imports persistently exceeding exports, it was expected that 1937 would end with an import balance. The change during the past four months has been due partly to seasonal increase in our exports, especially of agricultural commodities, and partly to smaller imports of industrial raw materials, together with sharply lower prices for the latter. In short, our export balance is due largely to the impact of our business slump, and of the decline in commodity prices, upon the import movement.

This country's total imports and exports for the year are estimated by the Department of Commerce at approximately $6,400,000,000, an increase of 31 per cent over the total of 1936 and 118 per cent above the depression low of 1932. Allowing for difference in price levels, our total foreign trade this year will be about 70 per cent of that of 1929 which, with the exception of the World War trade, was the peak year. This business is a more important source of American employment, payrolls and profits than is commonly realized.

THE BILL THAT NOBODY WANTS . . . Certainly capital and employers do not want the Hour-Wage Bill. Certainly the American Federation of Labor does not want it. Certainly the C.I.O. does not want it. Certainly all other organized and unorganized bodies of labor do not want it. Certainly the great public does not want it. There is quite obviously a nation-wide reluctance toward attempting the legislative regulation of hours of work and rates of pay. And yet this obnoxious measure continues to monopolize the spotlight in Congress. If it becomes a law that will be because really nobody is enough interested in this revolutionary measure to put up a stout fight against it. Yet it may be called a law to socialize industry and take the control of policy and management away from the owners of property. It is a bill which actually enacts a peaceful though very real revolution. It is probably headed for, and deserves, extinction by the Supreme Court and that is the only good thing about this offensive attempt at destructive legislation.

DOING SOMETHING FOR THE RAILROADS . . . President Roosevelt states that he does not desire Government ownership of the railroads and that he hopes both adequate service and solvent carriers can be maintained under private ownership and management. That is gratifying, as far as it goes. If effect, however, Mr. Roosevelt puts the responsibility upon the Interstate Commerce Commission for solving the "railroad problem." He apparently has in mind not only higher freight rates, but some kind of a master plan for railroad reconstruction involving consolidations, as well as readjustment of many capital structures.

Thus "put on the spot," the quasi-judicial Commission, in our opinion, deserves a word of sympathy. However desperate the immediate plight of the railroads, the Commission is by no means wholly responsible for it. Congress over the years has piled burden upon burden on rail operating costs, mainly under the spur of rail union lobbies, with little or no consideration of financial ability to carry the load. As for the Administration, it is not evident that it gave any thought to the problems of the carriers—until the present emergency developed.

No real economies are possible in consolidations because of the joker inserted in the enabling law in 1933 at the behest of rail labor. The express purpose of the law was consolidation of systems, either voluntarily or by order of the Co-ordinator of Transportation. The latter position has since been abolished. Nothing came of the move because the law provided that no consolidation under its provisions could eliminate jobs of employees!

It is probable that the Commission will render a decision on the pending rate case in record time, possibly by February 15. That would be a notable feat, in view of the fact that both the laws under which the Commission functions and the traditions of its fifty years of quasi-judicial administration of those laws have made it impossible to avoid much red tape and expenditure of considerable time in hearing testimony and argument and in collecting mountains of records and statistics. The Commission can not instantly pull a "white rabbit" of railroad rehabilitation out of its collective hat—whether by rate increases or otherwise—and it may justly resent political utterances and maneuvers which seem to make it the scapegoat.

Monday, December 13, 1937.

As I See It!

BY CHARLES BENEDICT

INDUSTRY'S PLATFORM FOR 1938

"To err is human; to forgive, divine."

Business men, bankers, capitalists make mistakes. The Government makes mistakes. For the mistakes of either, 130,000,000 people pay and pay dearly. Private judgment proved wrong in 1929—and we had a depression. Governmental judgment proved wrong in 1937—and we have another depression. Whatever the right or the wrong—recrimination, distrust, hatred between business men and Mr. Roosevelt will not get us out of it. The time has come for intelligent and constructive cooperation.

If we get it, the unique achievement of our capitalistic system in creating the world's highest living standard will be dwarfed by future achievement. If we do not get it, we can expect rising unrest, dangerous inflation, more ventures in collectivism, further disintegration of private enterprise and an inevitable deterioration of the American living standard.

Government has offered to correct some of its mistakes. That is a good start. Speaking for industry, the 5,000 members of the National Association of Manufacturers also offers to correct its mistakes, and have adopted a constructive "Platform for 1938"—with a definite program of principles and responsibilities for government, labor and business. That also is a good start.

This "platform," while admirably frank and detailed in its analysis of the country's difficulties and of the remedies that industry desires, is most notable for the spirit which pervades it. I doubt if the business leaders of this country ever before showed so united a front, came to such whole-hearted agreement upon a constructive program or stated their convictions with such persuasive toleration.

When business sees only disaster for all in class warfare and group hostilities, all men of common sense must concur. We agree that the forward march of American industry, and this alone, has made our standard of living what it is. We know that no easy promise of a more abundant life for the workers, or the farmers, or the consumers can ever be fulfilled unless a normal productivity and growth of industry are resumed; that the cooperation of all men of goodwill and open mind from all groups is necessary to bring us back on the high road of renewed progress.

So far as national objectives and aspirations are concerned, there is no gap between business and government. Both recognize the importance of creating an increasing number of units of buying power. But government has attempted to create it by subsidy and legislation. The experiment has shown it to be only a temporary palliative. As a result, business men now have the courage to definitely state that a distribution of wealth can only be brought about by production and work. It cannot be had by redistributing a depressed national income.

As all men know, agreement upon a desirable objective is the merest beginning to any endeavor. Then comes the plan, and it must be (*Please turn to page 328*)

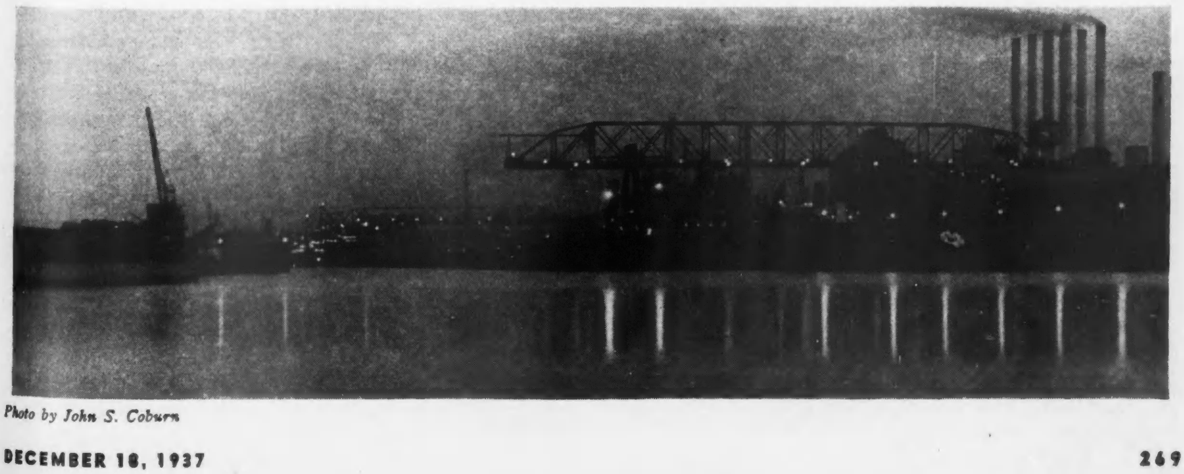


Photo by John S. Coburn

The Market At the Turn of the Year

BY A. T. MILLER

For more than seven weeks the market movement has consisted of a series of rallies and reactions within a 25-point range in the volatile Dow-Jones industrial index and within a range of 11 points in this publication's index of 330 stocks. Throughout this period a large majority of stocks have held stubbornly above the lows of October 19.

While none can say we have seen the end of the bear market, at least that phase of it which began in late August appears definitely to have been concluded. If so, the normal technical expectation is an intermediate rally running into the first quarter of 1938 and retracing at least 40 to 50 per cent of the ground lost from the August highs.

As this analysis is written, the trend has been upward for more than two weeks and the Dow-Jones industrial average stands some 16 points above its November low. This is the fourth substantial rally since the climactic liquidation of October 19. It has carried prices back up close to a level at which formidable resistance was previously encountered and at which there began the 20-point reaction in the Dow-Jones industrial average between November 13 and 24.

The rally has been paced by a majority of the higher grade industrials which accounted for the worst of the November weakness. It has previously been pointed out here that a small minority of listed equities was responsible for dropping the Dow-Jones industrial average to a new low of 113.64 on November 24 and that the refusal of the rank and file of stocks to follow that movement was as hopeful a technical performance as the reverse had been in the intermediate rally of July-August. This inference now appears confirmed by the fact that the better grade industrials have made up the greater part of their November losses.

The question of immediate speculative interest is whether the upward trend of the past fortnight can be extended materially from this point without more than a minor technical correction, by which we mean a dip of 3 to 5 points in the industrial average. Ever since 1929 mid-December has been a notoriously tricky period for the market, with the low for the month recorded either in the second or third week and followed by substantial rally thereafter. In view of the scope and violence of the August-November decline, we are hopeful that this precedent can be ignored or, if not, that observance of it may be confined to a perfunctory and minor recession.

On a guess, we doubt that the market will enter the third week of December at a level lower than the 122-124 range in the industrial average and we are of the opinion that speculative commitments made anywhere between this level and the recent rally high of 129.80 will prove profitable by Christmas. Should this conjectural pattern work out, the short range prospect may have to be re-appraised near the close of the year, since the scope of rally during the second half of the month may very well condition expectations as to how far a rising trend can be carried into the first quarter of the new year.

Among advisory services—many with a large following—and professional market analysts optimism regarding the short-term trend appears now to be virtually unanimous. In the absence of important investment liquidation, this of itself should favorably influence the nearby performance. It is also worth noting that advisory opinion is virtually unanimous that the recovery will be temporary and that not too much should be expected of it. These widely expressed qualifications incline us to be all the more hopeful. When too many people think one way there is often surprise ahead. Speculative preparation for any expected market development makes it less likely to happen or at any rate less likely to be of the expected scope. In this case surprise *may* take the form of an intermediate recovery more extensive than the general run of speculators anticipate. The greater the speculative caution as rally proceeds, the less is the technical position of the market impaired.

In the existing setting we would confine speculative commitments to leader-type industrial equities. The general run of low price stocks were hardest hit in the marginal clean-out of October and a majority of these already show a snapback of 50 to 100 per cent from the lows of October 19. In anticipation of an intermediate rally, sophisticated traders play the market trend, rather than individual situations, and the least risky and most profitable way of playing the market trend will be in leading industrials. There is less chance in such selections of being hung up in a stock which either does not move with the trend or actually moves contrary to it. At the best levels of the recent rally, for example, quite a few "special situations" were making new lows for the year.

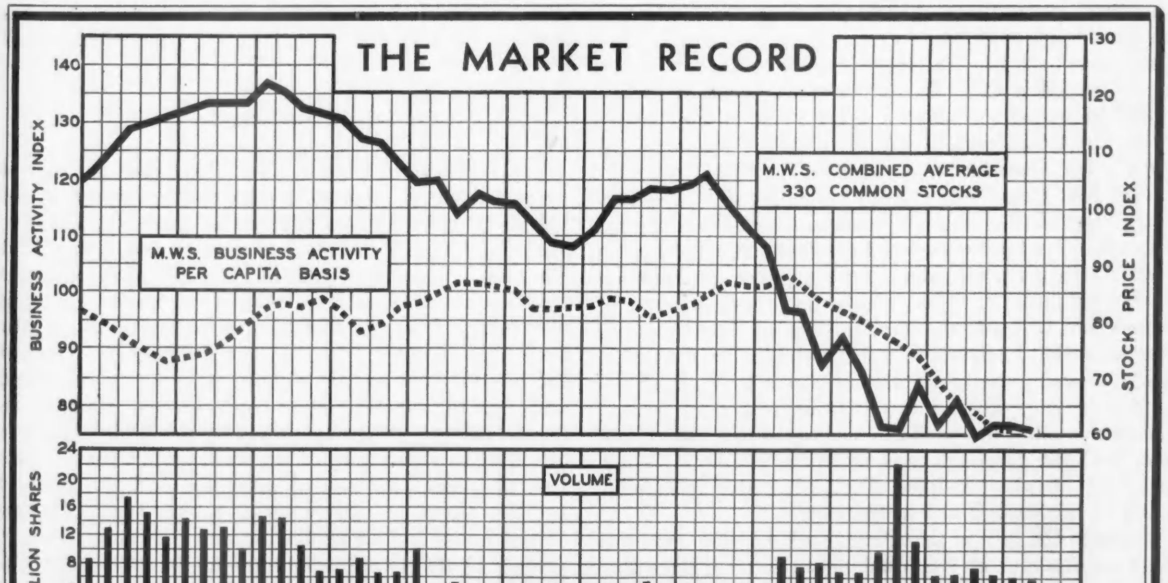
Unfortunately, we remain unable at present to recommend longer term investment purchases of equities. The longer outlook was seldom more clouded and never

We expect the recent short-term recovery to be substantially extended in coming weeks and favor speculative purchases in all periods of market recession. Selections should now be restricted to the leader-type industrial equities.

more vitally dependent on governmental actions and policies yet to be formulated. Even though it is logical to regard the longer alternatives as a more or less orthodox recovery on the one hand or more inflation on the other hand, the doubtful factor is the matter of timing. Assume that some time before the middle of 1938—with Congressional elections looming up—Washington does turn from orthodox to inflationary policies. We doubt very much that such a transition would occur except during further deterioration of the economic position. Only visible extension of the depression would prove to the political mind that the remedies applied were not working. In short, depending mainly on what happens at Washington during the first two months of 1938, we may or may not get a third phase of the bear market after the prospective intermediate recovery has run its course. It may be that by spring the course of events and the market's behavior will give us a basis for rational formulation of a longer term opinion, but no such basis exists today.

While Washington developments of market influence are more likely to be favorable than otherwise, here too we have a matter of timing. Substantial revisions in the two most objectionable taxes are scheduled, but unless Congress speeds disposition of the controversial farm and wage-hour bills, or temporarily puts them aside, action on taxes cannot be expected quickly. Nor can we expect immediate settlement upon peace terms in the New Deal-utility war. Prompt action by the Interstate Commerce Commission authorizing a stopgap increase in freight rates pending disposition of the pending issue involving request for a permanent 15 per cent increase is a *possibility,* but is not regarded as a probability by experienced Washington observers.

Adequate basis for a better recovery than we have yet seen would seem to be provided by the violence of the preceding decline and its over-done pessimism, by a slackening rate of recession in business, and by a more hopeful tone in the commodity and bond markets. For the first time in months some industrial buyers are venturing back into the commodity market, and hope for a January-February rebound in business volume must rest largely on the probability that this business buying of commodities will be at least moderately extended after the turn of the year when inventory bookkeeping has become history. On the favorable side also, there are some tentative indications that credit deflation may have ended, with New York banks at least, during the latest week, expanding investments more than business loans contracted.



Which Will Dominate Administration Policy?

Business or Politics

BY RAY TUCKER

THOSE people who imagine that President Roosevelt is losing any political sleep over the current recession lest it thwart his legislative or personal ambitions—now or in 1940—are fooling themselves. Their trouble happens to be that they look for the sort of presidential reaction to economic adversity which Chief Executives of a different era made when a business slump threatened the nation's health. It simply proves anew that they have not taken sufficient time out to study Franklin D. Roosevelt, who is a politician rather than an economist or a business man.

The ordinary man—and the ordinary President—would profit from the hard lessons of the last few months—stocks tumbling until billions in values were wiped out, steel production falling from 90 to 30 or less, thousands of employees laid off or placed on part-time work, prices soaring so that only a plutocrat can eat beefsteak. He would concede that a five-year trial of strange and strait-jacket doctrines had failed utterly. He would extend the glad hand to business and industry. He would sigh with relief at the chance of turning the sorry mess back to his adversaries—the "economic royalists." Indeed, a Chief Executive with a sense of humor would be happy to unload a dying horse on anybody—even the GOP—who would cart it to the boneyard quietly and decorously.

Not Mr. Roosevelt, despite his series of gentle gestures toward the nation's recognized underwriters of production and prosperity and employment. For him to abdicate to private business and industry would be an acknowledgment of defeat which the Rooseveltian mind cannot and will not contemplate. He has boasted again and again that he meant to transfer the center of political and economic gravity from Wall Street to Washington. In the waning days of the 1936 campaign he warned that his second term would be dedicated to a demonstration that the great interests had met, not their match, but their "master" in him. Forty-six states gave hallelujah to the tune, if not to the words.

Now, in the face of that Napoleonic bearing, does any sensible observer of the Washington scene believe that Mr. Roosevelt will admit overnight that he was misguided when he headlined these prospects? Does anybody believe that he will concede, publicly or privately, that his New Deal has been a piece of amateurish bungling which has lugged the nation to the brink of another panic? The answer—from friend and foe alike—is an extremely noisy negative.

Mr. Roosevelt has simply precipitated the showdown which he has, consciously or not, invited all these years. Though the terms of conflict must be used in a rather rough and sketchy sense inasmuch as they embrace so many and such complex problems, he wants a decision on whether Wall Street or Washington—classic economics or vulgar politics—is to dominate America's everyday life. The present recession supplies an ideal situation for such a test, in his opinion, and it is in the light of that presidential brooding that all his recent moves must be studied. To use a Pullman phrase, he has given business and industry "the last call for the diner," and unless they pretend to relish the recovery menu he has prescribed for them, he may choke down their throats a more unpalatable and undigestible plate of food than he served early in 1933. Whether Congressional experts on calories will cook the dishes he has in preparation is another matter, and one which we shall discuss presently.

Superficial Overtures

Superficially, of course, Mr. Roosevelt has offered overtures to his economic adversaries, largely at the behest of such practical advisers as Joseph P. Kennedy, Jesse H. Jones, Vice-President Garner and Senator Pat Harrison. He has suggested revision of burdensome taxation on corporations, though he insists that this elementary form of relief be deferred until the regular session in January. He has asked Congress to amend the housing laws so that private capital may be enticed back into the construction of cheap homes. He has summoned private utility chieftains to the White House in an effort to strike a truce that will permit the expenditure of billions for needed expansion hitherto retarded by the threat of government competition. He has talked about balancing the budget. He has, however, proposed cuts in appropriations—roads, relief and C C C—which he must know that the Congress will never grant.

All these moves savor more of orthodox politics than sound economics. He has—and this is what most people

miss—done all the conventional things in an attempt to check the downward movement. A Calvin Coolidge or Herbert Hoover would have urged the same sort of action—in fact, Mr. Hoover did, though more forcefully. But in none of these offerings has Mr. Roosevelt betrayed any zeal to scrap his fundamental and radical reforms. He has proffered an ultimatum rather than an olive branch, as most of the business men who have conferred with him in the last few weeks realize.

Let us, however, examine at close range some of these negotiations intended to stimulate private industry to supplant the government—and the taxpayers—as the motive power of the economic machine. The study assumes extraordinary significance since it involves the question of Mr. Roosevelt's underlying sincerity in his pro-business strategy. It is quite obvious that unless industrialists are convinced that he has suffered a real change of heart, they will not invest good money in an effort to halt the Roosevelt recession. The inquiry into his long-term purpose and program, therefore, penetrates the innards of the Washington-Wall Street problem.

Messrs. Morgenthau, Eccles and Jones, for instance, have dinned into Mr. Roosevelt's ears that balancing the budget is essential if he hopes to reassure business and industry of his good intentions. It is the classical advice in time of economic and political stress, and the President apparently heeds it. But what does he do? He asks the politicos on Capitol Hill to retrench on three sectors where they will die rather than surrender —or save. He asks them to oblige the budgeteers by reducing appropriations for home-to-market-and-night-club roads, relief for hungry or lazy constituents, C C C camps for youngsters whose chance of getting on somebody's payroll grow dimmer day by day. These are three of the strangest requests a President ever proposed to Congress with a straight face.

No presidential command in his help-business campaign stirred more skepticism on Capitol Hill than his message on reducing road funds. Every experienced sideline spectator at Washington realized it was not worth the paper it was written on. Only last session the building bloc demonstrated that it was the most powerful, log-rolling gang in Congress—so recently and so vividly that Mr. Roosevelt could hardly have forgotten the incident. Congressmen march to triumph year after year on the roads they have built in their districts with federal funds; there is no surer re-election highway. And in their organized raids on the Treasury for this purpose they always have the support of influential lobbies at Washington and back home—sand and cement manufacturers, automobile associations, chambers of commerce. Likewise the relief and C C C expenditures mean money to the townsfolk. The small but substantial merchant and banker will, despite his desire for a balanced budget, protest against economy among these chosen people.

To suggest that such an instinctively subtle politician as Mr. Roosevelt did not understand the implications of these requests is nonsensical. There were many other fields in which he might have economized—naval construction, agricultural subsidies, power expansion (T V A Fort Peck, Grand Coulee) and the costs of ordinary government operations. But he selected for an exhibition of federal thrift the most sensitive sections of the political pocketbook. It is little wonder that his own Congressional leaders suspect Mr. Roosevelt of having placed the politicians and the business men, both manu-

facturers and retailers, on the spot. For if they oppose these suggested skimpings, he will be in a position to retort that the politicos and their pals spoiled his budget-balancing acrobatics.

Public utility magnates have laboriously pieced together fragments of their White House visitations without fitting a more friendly or forgiving attitude on the part of the President into the picture. Mr. Roosevelt seems to have stuck a few important pieces in his back pocket — or somewhere. The series of incidents are chiefly important for the light they cast upon the Administration's good faith in the supposed shift to the right.

When the President concluded his conference with Wendell L. Willkie of Commonwealth & Southern, he requested T V A's unhappy neighbor to make no statement to reporters hovering on the threshold. Subsequently, in recasting the talk to ten members of the press—the unusual procedure of limiting the number was invoked because of Mr. Roosevelt's illness—he failed to mention the Willkie memorandum setting forth the latter's truce terms. The President also withheld other vital items tending to sharpen the utilitarians' growls and to damage his own contentions. It was only by accident that the missing and unmentioned memo, which definitely imposed upon the Chief Executive all responsibility for the next move, got into the headlines.


Gendreau

But when Floyd Carlisle, whose New York properties are threatened only by blueprints of a harnessed St. Lawrence river rather than Norris and Wilson dams, agreed to spend $100,000,000 in two years, he was given full permission to blurb it to the press. Power Commission Chairman Frank McNinch not only told him what to say but how to say it. The Rooseveltian aide suggested that the promise would sound more impressive if Mr. Carlisle lumped his planned expenditures —$50,000,000 for 1938 and $50,000,000 for 1939—into the good, round sum of $100,000,000.

Mr. Roosevelt's mathematics also failed to impress his conferees. He and Mr. McNinch minimized the menace of the "yardstick" by estimating that the area of government competition was limited to 18 per cent, possibly 20. But in advocating enactment of the N R A Mr. Roosevelt warned that such a small percentage of "chisellers" as 10 per cent could bankrupt the 90 per cent with a heart. Also, in urging nations to settle their disputes in peaceful rather than warlike fashion, he reiterates that only a quota of 10 per cent of sabre-shakers is sufficient to keep the world in turmoil. Messrs. Willkie, Fogarty, Gadsden and Carlisle may be pardoned if they wonder—more or less audibly—why he does not apply his pet percentage theory to their twelve-billion dollar universe.

To list the roll of other economic inconsistencies is hardly necessary, but here are the more glaring: At the very moment when the President calls for lower farm and industrial prices so as to prime private purchasing power, he asks Congress for crop control and wages-and-hours measures destined inevitably to boost living costs. These same laws, together with renewed demands for sharper anti-trust weapons, hardly fit into a program supposedly designed to convince business and industry that the period of federal regimentation has passed. It appears that the President, in an effort to placate both liberals and conservatives at the Capital and elsewhere, has nullified every gesture toward business with a come-hither beck toward his old friends among the radical bloc. The result has been that almost nobody in either camp trusts him.

Supposing, however, that the President is reconciled to the failure of managed economics up to this point, what alternatives confront business and industry in the immediate future? Well, if by April—the month which F D R frequently cites as the end of his present test of private industry's recuperative attitude and qualities—economic conditions have definitely improved, it is probable that Mr. Roosevelt will turn a more tolerant face toward exponents of the old-fashioned capitalistic system. He will probably be content to coast along with reforms already inaugurated, possibly to amend and ameliorate them slightly, so as to swim toward 1938 and 1940 elections in the full tide of recovery. In that sense he has, as he hinted in his message to the special session, placed business "on the spot." How it behaves in the interim will deeply affect his behavior for the last few years of his second term.

If the "economic royalists" fail to shake the gloved hand which the President has extended as signal of the beginning of a new round in their five-year bout, Mr. Roosevelt will cite the incident as further justification for even more governmental interference with business and industry. There is talk, though it may be simply symptomatic of his prospective attitude, that he will sponsor a movement for federal ownership of railroads and utilities—the two industries whose expenditures for expansion have lagged most violently under the threat of his policies. Certain it is that he will again resume public pump priming through W P A, P W A, A A A subsidies poured out more generously than even before.

There will be an attempt to place the government in home construction on a scale involving billions rather than millions if the present move to obtain the cooperation of private builders and bankers fails. There will, if necessary, be a sharp inflationary movement precipitated by a further increase in the public debt and by desterilization and distribution of "treasury gold." In short, Mr. Roosevelt will again spend his way out of an economic crisis, as he did in 1933—or as he tried to. And banks and insurance companies already loaded down with government securities will, in his opinion, be forced to buy new issues if only to support the value of the volume they now hold. *(Please turn to page 322)*

The turn of the year will present an outstanding opportunity for statesmanship in government and business

Balance Must Be Restored

Prices **Profits** **Inventories**

BY JOHN D. C. WELDON

If the cumulative damage wrought by this depression is not to take a heavy toll of human misery, it is imperative that its causes and characteristics be accurately diagnosed and that such diagnosis be followed by intelligent and courageous remedies.

Where depression is born of protracted speculative excess, over-expansion and over-indebtedness, the human mind is powerless to cut it short. It runs its painful deflationary course, grinding a majority of our people down to a minimum subsistence level, until—with nothing left to deflate—fortuitous circumstance turns the tide or social unrest leads government to inflationary measures.

This depression, however, was not born of major excess. It was born of a combination of errors of judgment by both government and business, a majority of which errors can be corrected by intelligent action. It is easier for government to apply specific remedies than business for the simple reason that government is organized for collective action while business—our radicals to the contrary notwithstanding—is not.

Let no one delude himself that the country can safely rely on the automatic self-correction of the present economic movement. The cold fact is that the amazingly fast slump of the past four months has created and is creating maladjustments faster than old ones are being corrected. Price declines, curtailment of production, shrinkage of employment and purchasing power feed upon themselves. Greater price disparities are created in depression than existed when depression began, and such is certainly the case in the present instance.

What went wrong? On the side of the Government deliberately deflationary steps were taken late in 1936 and early in 1937 in the mistaken belief that the country faced the threat of a credit boom. The emphatic response of the markets brought home in instant light the fact that some grave underlying elements of weakness in the country's position had been concealed only as long as the Government reflation had fed the recovery. The paralysis of private capital—brought about by punitive and restrictive taxes and regulation, and by lack of confidence among investors and business men in either the intentions or methods of the Government—became visible.

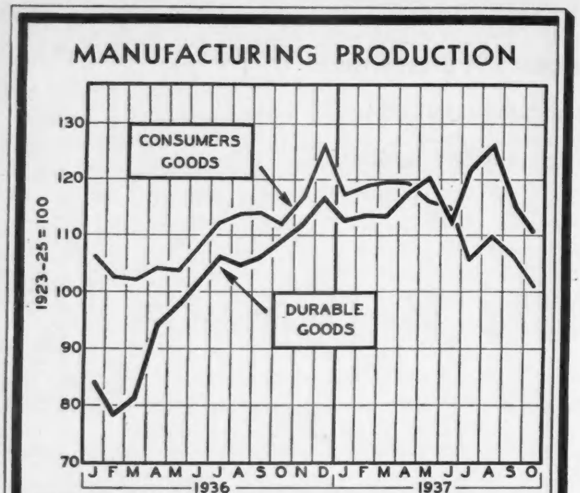
On the part of business men, the speculative commodity price rise which began in the early autumn of 1936 and ran into the early months of 1937 was wholly misjudged, over-optimistic estimates of the outlook for sales and profits were common and widespread and prices of finished goods in most instances were jacked up more than unavoidable cost increases dictated.

Organized labor also must share the blame, for it has been largely responsible for high and rigid manufacturing costs, for a lowering of employee efficiency and discipline and for widespread violence and radicalism which have contributed greatly to the cumulative impairment of business and investment confidence. Labor's mistakes, however, grew out of governmental measures and policies.

The Role of Labor

At this writing there is no basis whatever for believing that organized labor—as represented by a limited number of influential national leaders—will contribute any effective effort toward checking the slump and encouraging its reversal, such, for example, as voluntary cost-reducing adjustment of hourly wage rates pending restoration of business volume.

Nor have we any basis for forecasting either the scope or timing of governmental remedies. Events are moving fast, however, and may force significant and specific action at Washington sooner than is now indicated. In any event the formulation of government policy over the near future will have a dominating influence both on the business results of the first quarter of 1938 and on the longer economic-financial trend. This aspect of the problem is so important and complex that we are reserving it for inclusion in a special article in our first 1938 issue.



Meanwhile, with neither government nor labor an immediately constructive factor in the picture, are business adjustments sufficiently complete to produce of themselves a nearby rebound? Are prices stabilizing? Have burdensome inventories been adequately liquidated?

Unfortunately, timely and inclusive inventory statistics are not available. We can neither measure in strict accuracy the degree of excess in inventory accumulation earlier in 1937 nor the scope of inventory liquidation in recent months. It must be remembered that whether a given inventory is or is not excessive depends largely on the current level of business, the business trend and business confidence in the early future.

It is quite certain that in point of speculative vulnerability the inventory position of last spring did not remotely compare with the top-heavy structure of 1920. On the other hand, there is some reason to doubt that the inventory liquidation of recent months has been as drastic, at least in finished goods, as has been assumed. Department store inventories in New York in October were some 10 per cent higher than a year ago, as reported by the Federal Reserve Bank of New York, as against average of 19 per cent higher during the first seven months of the year. This tells us very little. The Department of Commerce index of department store stocks for September—the latest month available—was 78 as compared with only 76 last spring. It is probably a bit lower now, but bear in mind that the figure is a percentage of the base period 1923-1925, when we had reasonably good business but no boom. The point is that whether department store stocks are 78 or 75 or 70 per cent of the 1923-1925 average they are *low,* rather than excessive, in relation to normal business volume.

Neither do the most recent figures of stocks of manufactured goods show them to be excessive in relation to normal business volume. For September they were 108 per cent of the 1923-1925 average and the 1937 high was 111 per cent last January. The average was 109 for the full year 1934 and we certainly did not in that year regard the country as being confronted with a major inventory problem.

When we turn to stocks of raw materials it is a different story and here we come to the heart of such inventory problem as exists. The higher prices of the closing months of 1936 and the early weeks of 1937 greatly stimulated production of raw materials, both industrial and agricultural. This production was slow to be adjusted downward with falling consumption. Nevertheless the piling up of stocks of raw materials in recent months has been due far more to paucity of demand than to continued excessive production. Last April domestic stocks of metals were only 70 per cent of the 1923-1925 level, which was low in relation to normal demand. In September the figure was 111 and it is probably higher now, but unless we assume we cannot get back to a business volume equal to 1923-1925 it is not dangerously high.

The index of foodstuffs for September was 135 per cent of the 1923-1925 average, against 70 per cent last April—but the food stocks of last April represented scarcity and high prices for a population much bigger than in 1923-1925. They are probably somewhat higher now than in September, but this is no calamity for while it gives consumers the benefit of lower food costs the farmer is substantially compensated for lower prices by enlarged supplies for sale.

Stocks of textile materials in September were 191 per cent of the 1923-1925 level, against 181 per cent in September, 1936, and year's low of 108 last July. The textile industry, however, is notorious for recurrent and temporary periods of over-production.

Ballooned by foodstuffs and textiles, the Department of Commerce composite index of raw material stocks for September was 145, against 136 in December of 1936 and low of 91 last June. The figure, however, averaged 180 for the year 1934. Hence, even as to raw material stocks the major deficiency, as in the early depression years, is lack of normal demand.

The Price Factor

The *main* reason why business men cut their buying of commodities to an irreducible minimum in recent months was not the size of inventories per se but the relation of inventories to the price trend. When the price trend is downward and none knows how far down it will go, the business man is under pressure to cut inventory below the needs of normal business volume. Buying is curtailed, production is curtailed, payrolls and purchasing power are curtailed—and thus we have the familiar vicious cycle. The major phenomenon in this depression is commodity price deflation, for bank credit deflation has been relatively moderate. In the 1929-1933 depression we underwent the twin disaster of terrific price *and* credit deflation, both following a background of protracted over-expansion and over-speculation.

The most hopeful development in the immediate picture is that raw material prices in recent weeks have shown encouraging firmness. For a fortnight the trend of spot prices has been upward on the average, in the best rally since last June. Commodity futures have moved in a narrowing range for more than a month, stand at this writing moderately above the November lows and on balance have lost no ground since the first week of November. (*Please turn to page* 320)

Where Industries Stand Today

Striking Variations from 1929 Levels

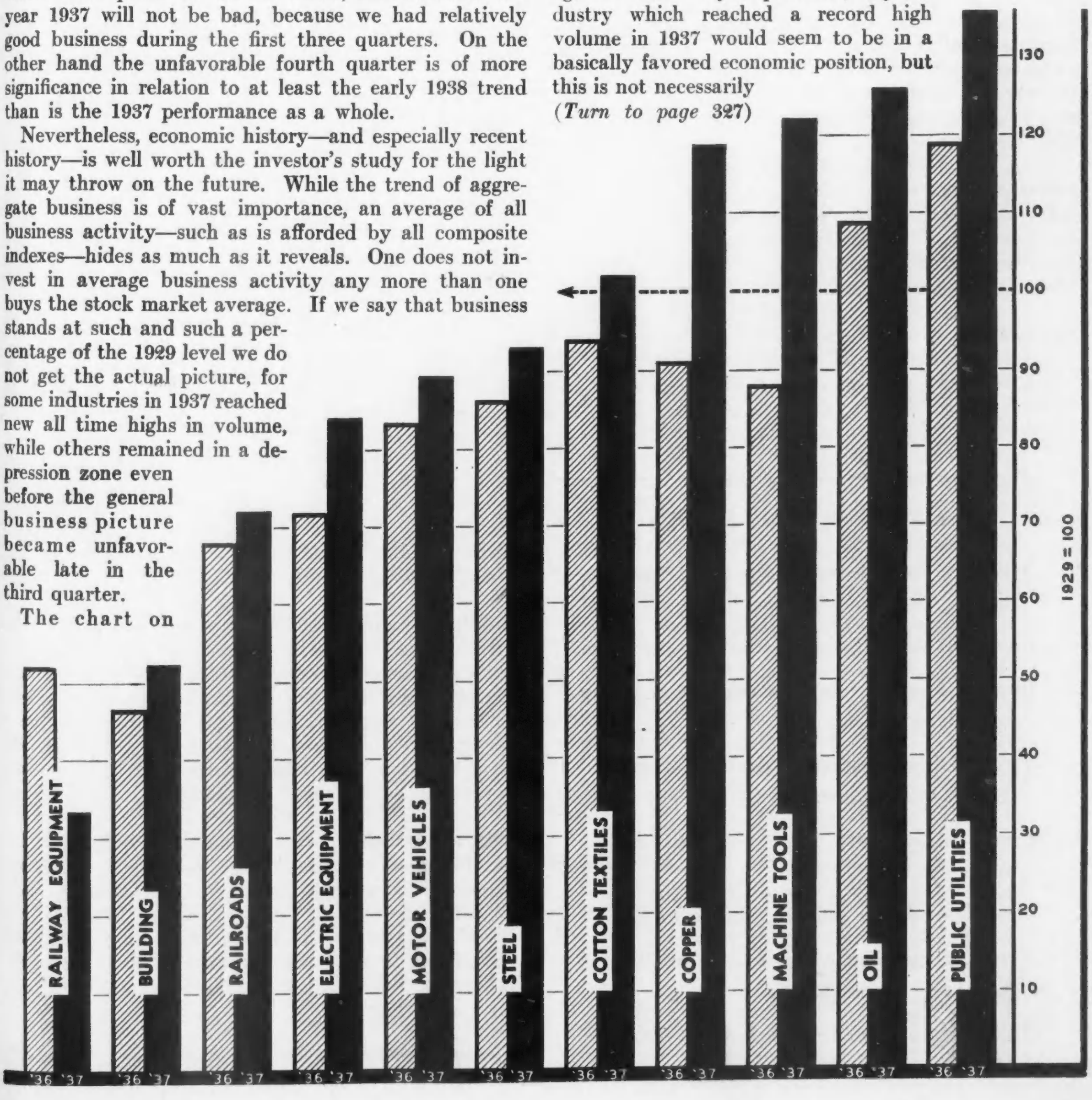
BY RALPH MERRILL

BUSINESS is closing a year that began in high hope and ends in deep disappointment. It is the appropriate season for footing up our gains or losses, and taking stock of our position. On the whole, the results for the year 1937 will not be bad, because we had relatively good business during the first three quarters. On the other hand the unfavorable fourth quarter is of more significance in relation to at least the early 1938 trend than is the 1937 performance as a whole.

Nevertheless, economic history—and especially recent history—is well worth the investor's study for the light it may throw on the future. While the trend of aggregate business is of vast importance, an average of all business activity—such as is afforded by all composite indexes—hides as much as it reveals. One does not invest in average business activity any more than one buys the stock market average. If we say that business stands at such and such a percentage of the 1929 level we do not get the actual picture, for some industries in 1937 reached new all time highs in volume, while others remained in a depression zone even before the general business picture became unfavorable late in the third quarter.

The chart on this page compares the estimated 1937 results of a number of leading industries with those of 1936 and 1929. That is, 1937 and 1936 volumes are shown as percentages of 1929. By implication, any industry which reached a record high volume in 1937 would seem to be in a basically favored economic position, but this is not necessarily

(*Turn to page 327*)



Happening in Washington

BY E. K. T.

Business decline will flatten off soon, turn upward in early spring, is Roosevelt's belief. He is operating on this theory. Therefore is not ready for drastic measures either capitulating to business views or resuming early New Deal tactics.

Labor-employer relationship improvement plan is well up on President's agenda. Railway labor act and British laws are eyed as suggestions for lessening strikes without hampering union organization or collective bargaining. Extensive conferences will precede legislative proposal.

Tax revision won't be rushed. Ways and means committee has control and is being deliberate, careful. Law won't be passed until mid-spring, won't be retroactive to 1937 returns. House will retain part of undistributed corporation profits tax but with many exemptions and cushions; Senate may vote complete repeal, leaving outcome to conference.

WASHINGTON SEES—

New Deal only temporizing with conservatism.

Roosevelt sees decline flattening out soon.

Improved labor relations machinery being considered.

Tax bill being carefully drawn, but not to affect 1937 returns.

Farm bill slightly improved, but still a make-shift.

Wage-hour bill a political football.

New housing plan constructive, but limited and bringing no boom.

Anti-trust revision catering to "little fellow."

Revenue bill being drafted by House committee will be well balanced measure, keeping yield up to present level at least but making important modifications in such taxes as capital gains and losses, estate, gift, capital stock and excess profit, inter-corporate dividends, corporation income, and possibly personal income and excise. Senate revision will be quicker, more impulsive, less scientific. Community property and mineral depletion allowance probably will not be changed.

Wage-hour bill has few sincere friends. New amendments make it unrecognizable, require much committee reworking. Some sort of bill will be passed if only to save face, but present disposition is to make it as innocuous as possible. Roosevelt will be satisfied for time being with a measure of scant economic effects in order to redeem political promises and have something to throw up to Supreme Court for a decision that will either establish federal power over employment or form basis for new court attack.

Housing message is noteworthy for what it left out, as President eschewed large number of half-baked suggestions and his recommendations are based on orthodox construction and financing methods extended a little by government guidance, though the plan represents about the limit to which this idea can be stretched. Bill due for prompt passage virtually unchanged, though several radical amendments will be offered.

Reduced interest on F H A mortgages will make them less attractive to banks than at present unless convinced all interest rates will stay down, though many home financers are offering terms as low as Roosevelt proposes. Ninety per cent first mortgages on small homes can't be written in many states, won't be by conservative financial institutions, but there's no harm in offering to insure such.

Remodelling loan guarantee resumption is popular all around, but may not prove as big a building stimulant

as it did three years ago. Loans on movable equipment, which caused most F H A losses, are now out of the picture.

Rental housing proposals are principal constructive new parts of housing program. Should aid flow of private capital to this important field and may serve to keep direct government financing out of the profitable end of this business. May point the way to economies of mass production, financing and operation of housing developments.

Mortgage associations, hypothetical to date, should actually be formed under enlarged powers and more liberal provisions of new bill, plus availability of R F C capital. They can facilitate flow of building money throughout country, provide banks with liquidity by purchasing insured mortgages, and their stock and debentures (a new form of security) may prove attractive to institutional investors.

Pictures, Inc.

W. O. Douglas, new chairman of S E C

Building costs problem is postponed by Roosevelt to "further conferences," which means it's a hot potato. Few expect results beyond forestalling further price increases.

No building boom will come from the new legislation, but it will have some effect and push the boom along when it comes. Old line home financing institutions don't like the innovations, fear they can't attract capital at such low yields, but they can't do anything about it. New plan is another peg in Administration's plan to keep earnings on capital permanently low.

Stock market regulation to prevent manipulation, separate gamblers from investors, is much needed in opinion of S E C officials but they want the exchanges to do the job themselves, partly because exchanges can act more quickly and autocratically than government can.

Anti-trust revision, when it comes, will be predicated on helping small enterprises compete with big business. New Deal strategists, seeing earlier attacks on all business proving unpopular, hope to make allies of small business men in their next drive against economic royalty.

Jobless census, according to experts who have seen advance samples, will do nothing but confirm the completeness of registration figures of the U. S. Employment Service, which will be feather in cap of U S E S, a sort of New Deal step-child.

Retailer bills to subject mail order sales to state taxes and stop producers retailing in competition with their customers got only vague support and well pointed opposition at House committee hearing last week. Committeemen indicated they have lost some enthusiasm for retailing panaceas since Robinson-Patman and Tydings-Miller acts have not fulfilled their rosy promises.

N L R B attack on press freedom did not surprise close observers who know that Board's attitude toward capital and labor includes many ramifications more radical than press censorship, but it drives another nail in N L R B's coffin, and if Supreme Court doesn't clip Board's wings, Congress will.

Auto finance company control by Big Three motor makers, now subject of anti-trust suit, is starter for campaign against manufacturers' alleged domination and maltreatment of dealers. If government can't make it out to be restraint of trade it will try to get it declared unfair method of competition.

Farm bill's final form and effects are unpredictable. Bills thrown together in haste were rushed through debate to win holiday recess and many inconsistent amendments approved, leaving a major job for the conference committee. Belief is House desire for less expensive, less compulsory measure will generally prevail, which roughly fits Wallace's views. Problem of revenue is ignored, likewise all thought of constitutionality. Far from a "permanent" plan, further amendatory legislation will prove necessary.

Farmers National Grain Corp. dissolution ends a costly and politically malodorous experiment in government-sponsored co-ops, the sorry details of which will never be revealed short of Congressional investigation.

Coal prices set by bituminous commission after long and mysterious process of cost studies strangely turned out to be a scale best suited to political exigencies—lower for householders, higher for industry users. Announcement removed uncertainty for producers and buyers, but problem now is how long the scale will last and how it will affect substitute fuels.

Next Congress session will run wild and Roosevelt will let it have its fling. With farm and wage-hour bills off the floor there will be less trading, blocs will be less powerful. Anything may happen, which means that little probably will.

Highway fund reduction request by Roosevelt won't be followed. So President gets credit for seeking economy, Congress gets blame for continuing pump-priming. Similar episodes may be expected.

Aircraft Profit Makers

Prospects for 1938 Hold Promise of Larger Earnings and Dividends

BY NORMAN CREIGHTON

EVERY time that the newspapers or the news reels announce the launching of an aerial dreadnought or a super-liner of the skies those with money invested in aircraft stocks start asking pertinent questions as to whether this kind of development will return dividends. The trend has been toward larger and faster aircraft. It has led to continuous development work on the part of the companies; and although their gross revenues have grown with increased sales as a result of improved products, the high cost of development has been eating up the profits. True, many of the manufacturers are either paying dividends or preparing to pay; but the returns are not high enough for the investors who bought stocks at the higher levels. The question is whether the yield ever will be high enough.

The aircraft manufacturing industry is in better shape today than at any time in its history. Of all the industries it is least vulnerable to business recessions; and it is worth noting that deliveries continue to break all records without the slightest sign of any falling off in business during the next few years. It probably will continue to break records. Sales of planes, engines and spare parts in 1937 are estimated at a total of $115,000,000 as compared to about $77,000,000 in 1936 and $42,000,000 in 1935.

Practically all the companies are well-established, ably managed and capable of turning out the finest aircraft products in the world. For several years production has been about the same as deliveries, so there is no manufactured inventory to grow obsolete and create losses. There are not too many companies. Thirteen produce air force planes, eight are equipped to produce transports, seven are building medium-size machines for private owner use and eleven companies are marketing light, two-place machines. There are eleven companies in the aircraft engine field. Most of them, however, are building very light engines for the small planes. Some companies turn out several types, enough to create keen and healthy competition. Most important of all, the aircraft manufacturing business is growing fast; and it will become a gradually accelerated growth from now on. In two or three years the gross sales should make present figures rather picayune by comparison. Whether this will return larger dividends is another question. It should. Indications are that aircraft stocks will pay fair returns from now on; and here are some of the reasons why.

Faster speeds in the smaller planes and the present rapid increase in size of land transports, flying boats and bombers have brought about heavy development costs because the research and engineering required is a tremendous item of overhead expense in any plant that succeeds in keeping the pace. The industry is now approaching the stage where both speed and size may be reasonably standardized over a period of years. It will be able to produce equipment in greater quantities so that the unit cost of development will be reduced

considerably, with proportionate benefit to earnings.

The engine and accessory manufacturers have entered that phase today. United Aircraft's Pratt & Whitney subsidiary and the Wright Aeronautical Corp. are developing engines of twice the horsepower when compared to similar types of a few years ago; and they can sell these new models to the air forces, the air lines, some private owners and to their growing list of customers abroad. That is why they are paying dividends. It is the same with all the accessories from propellers to navigation instruments and wheel brakes. Sperry, Bendix, Lycoming, Kollsman and many other companies will participate in the increased business.

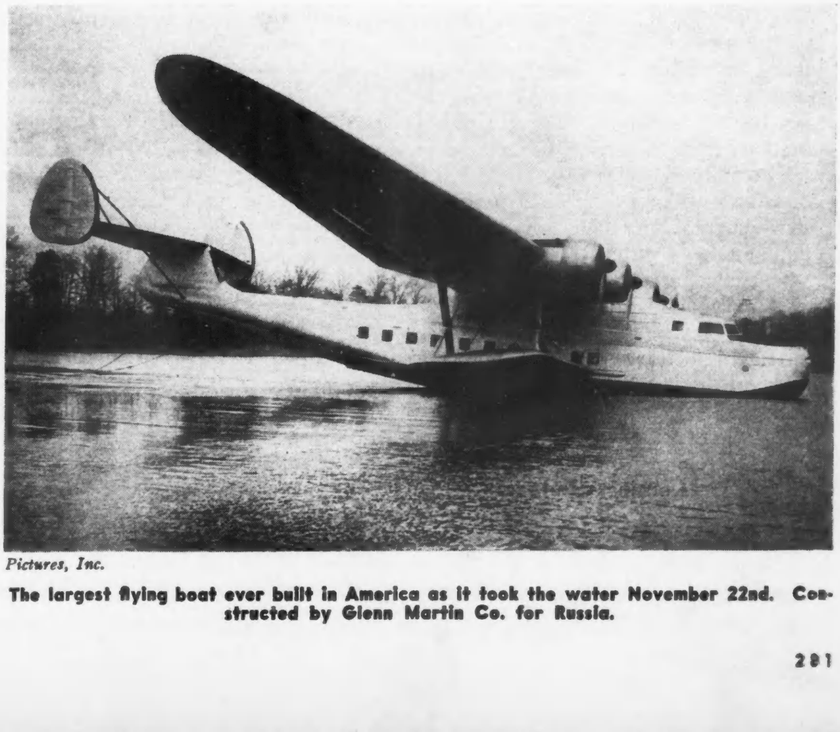
The airplane plants have been up against a tougher proposition. They have had relatively small outlets for any new development, and the unit cost, therefore, has been high. Douglas developed a fast, luxurious transport, the DC-2, and it was so good that a dozen nations either bought it or tried to copy it. The company had to sell 40 planes before beginning to make profits; and it sold many more than that. But even while filling orders for the DC-2, Douglas had to spend a fortune developing the DC-3 transport. While these new ships have been entering air line service in recent months Douglas has been developing a still larger model, the DC-4. At the same time the company has had a very large foreign business and a number of air force orders which have forced rapid expansion of plant facilities. When Douglas withheld dividends a few weeks ago in order to save money for operating expenses, we had a picture of a company up to its ears in unfilled orders, with deliveries being made on schedule but with the pressing need for money to keep up with operating demands.

Boeing made money for years by supplying the air forces with excellent fighter planes, and then lost money while developing a four-engine bomber, the 16-ton "flying fortress" Y-17, only a year ago the largest and fastest ship of its type anywhere. Orders for that model put the company in black ink again, with the help of a subsidiary producing good trainers for air forces here and abroad. But before the Air Corps squadrons commenced receiving the huge bombers for service Boeing already had under way an even larger bomber, the B-15, flown for the first time last month. There will be improvements, of course, but the increase in size will not be rapid after next year; and the development costs will not be so high because development will not be so radical. For that reason Boeing is in excellent position, and should remain so.

Costly experimental and development work on military types has been a burden on the manufacturers for many years. The purveyors to the air forces have actually contributed millions toward improved air force equipment. With variations the system of air force purchases has been to let several builders design and produce a plane to certain specifications and then pick the winner for production orders, leaving the losers to pocket their losses. There is plenty of evidence that the Government is now having a change of heart, and several changes may soon be made in the system which will reimburse every manufacturer who contributes anything worthwhile to the services. Broadly, losses from military development work should begin to disappear from the balance sheets some time in 1938. Losses caused by lag in air force orders also should be reduced considerably from now on, because the services are requiring much more equipment. The day when a manufacturer keeps his plant open while waiting patiently for service orders may soon be a rare day indeed. The rearmament programs abroad and the prevailing war spirit on both sides of the world must impel our Government to maintain air forces at greater strength and a high degree of efficiency. Steady business from that source should create a steady flow of dividends where the companies are properly managed.

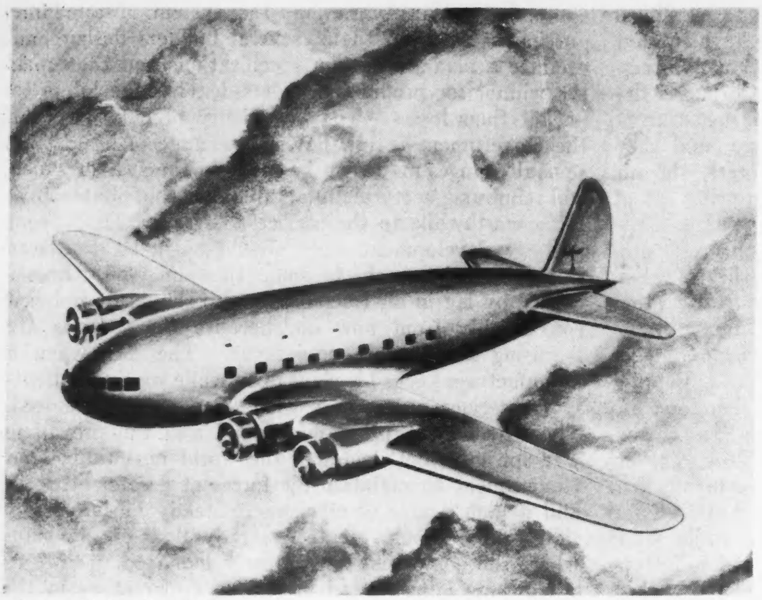
Nowhere is the trend in size so apparent as in the present development of flying boats. The reason lies in the fact that only relatively light power plants have been available until recently. Heavier engines giving more power for weight and fuel consumed, among other factors, have made possible the development of much larger flying boats and land transports. The famous Pan American clipper ships developed by United Aircraft's Sikorsky subsidiary have had a gross weight of only 20 tons. The Glenn Martin "China Clipper" type which entered Pacific service last year weighs only 25 tons. Last month Martin launched a new model weighing 32 tons, which was sold to Russia. Boeing is completing for Pan American Airways six boats weighing about 42 tons each. All those ships may be termed pioneering craft.

If we are to believe the operators and the aircraft engineers, the logical size at present in point of pay-



Pictures, Inc.

The largest flying boat ever built in America as it took the water November 22nd. Constructed by Glenn Martin Co. for Russia.



Courtesy Boeing Aircraft Co.

Artist's conception of the new Boeing sub-stratosphere air liner to appear sometime in the spring of 1938.

remain fairly standardized long enough for all the companies to do a profitable business, with sufficient orders for each type to absorb development costs without reducing net profits materially.

Virtually every company manufacturing planes is either expanding or preparing for expansion of its plant facilities. That may reduce profits temporarily in some instances; but it is bound to increase a company's worth. Expansion requires excellent judgment on the part of the management, however, because modern factories are expensive, particularly those plants built for the assembly of huge machines. They cannot have pillars in the floor space, and they must have enough overhead room to permit working on top of the ships. Only assured orders for the future and continuous order at that would warrant the management in setting up new facilities. If reports are true, the average company management is proceeding cautiously; but over-expansion can create losses more severe than development work.

load capacity for non-stop service across oceans is a flying boat weighing between 60 and 75 tons. A 60-ton ship will cost a million dollars to develop; but it will carry at least 100 passengers in luxury, and a profitable cargo, at a speed of 200 miles an hour between New York and London non-stop in little more than a single night. There will be a big demand for such ships, and at that stage the builders should make good profits.

There is talk of allowing Government subsidies for operations with flying boats similar to those provided for the merchant marine; and if they are granted, orders should be large and the number of operating companies vastly increased. Then, too, the Navy is taking to the giant flying boat in a big way. It is known that the Navy wants flying boats, whole fleets of them, approaching the size of destroyers and in fact taking the place of destroyers. The building of mammoth flying boats soon may be big business. Boeing, Consolidated Aircraft, Sikorsky, Glenn Martin and possibly Douglas may be the first companies to profit by that particular development; but many of the other companies can enter the field at will.

Both Boeing and Douglas will turn out four engine land transports in 1938; and they may be followed in short order by Lockheed, Curtiss-Wright and North American Aviation. The two latter companies are doing an excellent business with the American air forces as well as with foreign customers. Lockheed is after air force business and is expanding its foreign sales rapidly, at the same time fostering its profitable relations with domestic air lines.

Briefly, then, we are approaching the time when even the larger types will

Labor is the third great problem in calculating profits. The manufacturing plants in Southern California have had a labor shortage for months, and in some instances they have been afflicted with C.I.O. trouble. By and large, however, the personnel in the aircraft plants are conservative, and they should not cause too much trouble. We may depend on the aircraft workers to be the last to follow any radical labor movement.

The cost of materials will have an influence only on the business of those companies limiting their products to the light plane and private owner markets. In the light plane field there are eleven companies and their total sales this year will be about 1,800 machines with a gross sales price of about $2,500,000 without engines. Piper Aircraft, for- *(Please turn to page 322)*

Leading Aircraft and Transport Companies

Company	Earned per Share 1st 9 mos. 1937	Earned per Share 1st 9 mos. 1936	Divs. Declared 1937	Price Range 1937 High	Price Range 1937 Low	Recent Price
Aviation Corp. (Del.)	d0.03(a)	....	None	9¼	2¼	3⅞
Boeing Airplane	.54	0.25	.40	49¾	16	27½
Consolidated Aircraft	N.F.	N.F.	.50	33¾	8	14½
Curtis-Wright "A"	1.37	1.09	.50	23¾	8⅛	14⅛
Douglas Aircraft	1.49(a)	.50(a)	None	77¼	26½	37⅜
Martin (Glenn L.)	1.17	N.F.	None	29¼	10	16¼
National Aviation	0.06	0.01	None	18⅜	6⅛	8⅞
North American Aviation	0.07	0.04	.12½	17⅜	3	8¼
Pan-American Airways	N.F.	N.F.	1.75	26¼	15	18⅜
United Aircraft	1.08	0.36	1.00	35⅛	10¾	23
United Air Lines Transportation	d0.04	0.13	None	24⅜	5⅜	8⅛

(a)—9 mos. to Aug. 31. N.F.—Not available.

Profits in Fair Weather and Foul

No Waning of Coca-Cola's Popular Appeal Evident

BY WARD GATES

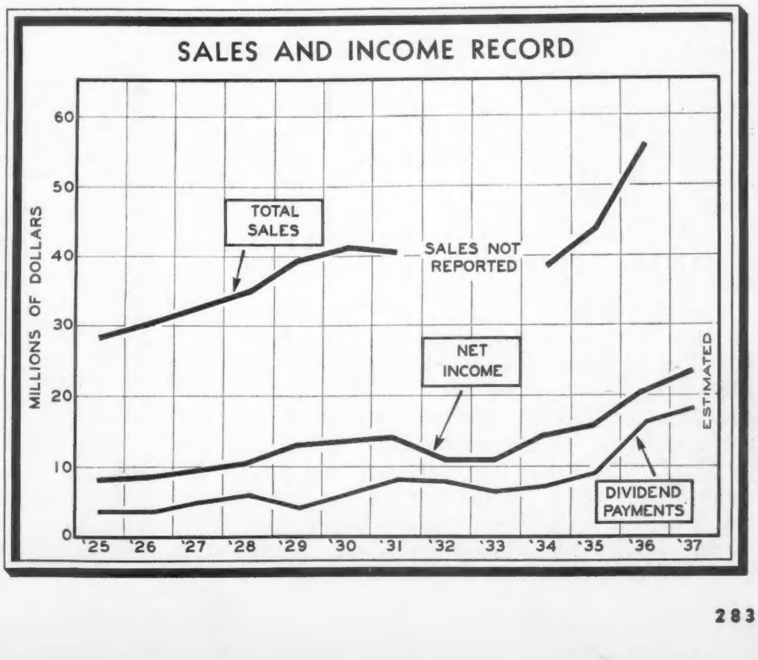
It would be a brave man who would make a pretense of knowing what it is that gives Coca-Cola its universal appeal. Most of us can merely regard with amazement the fact that wherever it has been introduced—whether in hot climes, in cold climes, whether in countries with prohibition or in countries without—it has grown to be an institution, rather than a mildly stimulating charged soft-drink, occasionally indulged. Literally, thousands of other soft-drinks have risen to enjoy a fleeting popularity, but Coca-Cola is the nearest thing to perpetual motion this field has ever seen.

Progress has been almost continuous in the half century or so which has passed since Coca-Cola was introduced to the southern states. It would seem that there have been only two periods in which the number of gallons sold in one year failed to exceed the number sold in the previous twelve months—once for a year or two during the recent depression and once for a year or two during the post-war era when governmental interference with the sugar market and unfortunate consequences which attended tremendously high prices for this commodity resulted in interruptions to what had previously been a record of continuous growth.

It will be recalled that the bank holiday of March, 1933, which some hold to mark the absolute low of the depression, almost coincided with the advent of legal beer in April of the same year. It was thought at the time that beer, to which was added hard liquor in the December following, would prove almost a mortal blow to The Coca-Cola Co. What actually happened, however, was that neither the depression nor the sudden return of competitive and more potent beverages brought more than a slight wavering to Coca-Cola's business. Indeed, net income for 1933 was slightly better than for the previous year and from this point the improvement has been by leaps and bounds.

The stock which is listed on the New York Stock Exchange is the obligation of a company whose name is *The* Coca-Cola Co., and whose principal and almost only business is the manufacture and distribution of Coca-Cola syrup. There are a number of other subsidiaries, most of them bottling companies, whose business it is to take the syrup, bottle it, and distribute it to the retail trade generally. Additional activities of the consolidated organization include the manufacture of caramel coloring, ownership of certain parcels of real estate and—a minor matter—the operation of the Atlanta Baseball Corp.

Coca-Cola is made in a dozen or more plants scattered in cities throughout the United States and in Canada. It is also made in Cuba. There are two main outlets for the beverage: (1) jobbers, who resell to soda fountains, and (2) bottling plants. These bottling plants, of which there are about a thousand, in the majority are the property of independent companies which, having been granted a franchise for their particular district, proceed to wax exceedingly prosperous by buying the syrup, mixing it with charged water and selling the resulting concoction. In recent years, however, The Coca-Cola Co. has assumed ownership and operation of about twenty of these bottling companies—among them some of the largest—which handle its product. The policy has been a successful one, bringing in additional revenue and enabling the company to undertake uniform sales efforts wherever it appeared advisable.



Coca-Cola is distributed internationally. Revenues are derived from licensing plants abroad and from a straight export business. The drink is said to be obtainable in almost three score different foreign countries. For those who may be inclined to think that Coca-Cola has achieved already the greater part of its possible dynamic development, there is an important little paragraph in the annual report for last year which said: "In this initial year of its second half century, Coca-Cola experienced its greatest domestic consumption and *broadest foreign development.*"

At one time, there was a marked seasonal aspect to the business and even today Coca-Cola can count on doing best during the hot months of July, August and September. Seasonal fluctuations, however, are much less severe than they once were. This has been brought

Today

about by the branching out of the business territorially; it is moving into lands whose peoples have different habits to our own and whose climates do not correspond to the southern United States where Coca-Cola got its start and from whence it still derives the bulk of its revenues. Probably more important even than the territorial expansion in evening out the seasonal fluctuations of the business have been the company's deliberate efforts to educate the people away from thinking of Coca-Cola only as a hot-weather drink.

The Coca-Cola Co. and its subsidiaries are heavy spenders of funds for advertising. Hence, when it was said that the company was making deliberate efforts to educate the public away from thinking of Coca-Cola only as a hot-weather drink, the inference is that the propaganda was no niggardly thing. "Delicious & Refreshing," "The Pause that Refreshes" are two of the many slogans which run through the company's advertising, while the non-seasonal *motif* may be carried by a scene showing a group of kids at a soda fountain after a football game; or, the scene may be varied in favor of a "no-class distinction" motif showing a bricklayer at the noon-hour drinking from a bottle of Coca-Cola.

Without questioning for a moment that The Coca-Cola Co. pays for, and obtains, advertising copy which is as good as any and better than most, it is not to be overlooked that the company enjoys one tremendous advantage over the majority of big advertisers. Coca-Cola as a product, is a world-wide monopoly. There is only one Coca-Cola, not half-a-dozen different kinds manufactured by as many different makers. Thus, it is possible to concentrate all advertising appeal on increasing the consumption of the beverage without wasting a lot of time and money trying to show that this particular drink is healthier, tastier and prepared under more sanitary conditions than competing drinks. This is in marked contrast, for example, to the cigarette companies whose main efforts are confined to showing that the product of one manufacturer is better than the product of another manufacturer.

But whatever one can say of Coca-Cola's remarkable popularity, its widespread distribution, its advertising advantages, pales to insignificance in the face of the financial record. For last year, The Coca-Cola Co. reported a net income of $20,398,078 after depreciation, all charges and taxes, including the federal tax on undistributed profits. All this from a five-cent drink! The implications are amazing,

Fifty Years Ago

although ever since the company stopped publishing its sales volume in gallons, one's amazement perforce must rest on rather a hazy picture. However, if it is just an impression that one is seeking rather than a statement statistically accurate, it might be guessed that The Coca-Cola Co. sold in 1937 not far from 35,000,000 gallons of concentrated syrup—that this produced 2,500 million individual drinks—and that the cost to the consumer on the basis of five cents each began to approach the $200,000,000 mark. The Coca-Cola Co., of course, did not get all this, or even a major part of it. There is a tremendous margin between the selling price of five cents a drink and the wholesale price of the syrup and among those who share in what the consumer pays are the soda fountains, the jobbers, the independent bottlers, their thousands of dealers and such outside interests as the transportation companies. The Coca-Cola's share in all probability was in excess of $50,000,000, for it reported to the Securities and Exchange Commission that its net sales and operating revenues for last year totaled about $56,000,000 and undoubtedly the sales of the beverage made up by far the greater part of this sum.

Modern sanitary equipment speeds production in Coca-Cola's bottling plants

With a capitalization consisting of 3,991,900 shares of common stock of no par value, ahead of which there are outstanding 600,000 shares of $3 preference stock, Coca-Cola's net income for 1936 was equivalent to $4.65 a share on the common after preference dividend requirements. During the first nine months of 1937 there has been further improvement, the earnings for this period coming close to the total for the whole of 1936. Indeed, per-share earnings at $4.76 were even higher for the nine months than for the previous twelve months because of the smaller deduction for preference dividends in the shorter period.

Early last month The Coca-Cola Co. declared an extra dividend of $2 a share in addition to a quarterly of 75 cents. Prior to this, it had made two 50-cent payments and one of 75 cents. This makes $4.50 a share in all—liberal treatment for stockholders, based on what the company is likely to show in the way of earnings for the whole of 1937.

The company, of course, is in a position where it can afford to be generous. Remembering that there is no funded debt at all, the balance sheet at the end of last year disclosed cash holdings of $9,900,000 and United States and foreign government securities of $4,300,000. These added to other current assets brought the total to more than $29,000,000. Current liabilities aggregated $7,500,000. Although considerable sums have been spent this year for expansion, including a new plant at Kearny, New Jersey, a major addition to the plant at Dallas, Texas, a new factory at St. Louis, Missouri, and an enlargement of the factory at Atlanta, Georgia, it is quite likely that The Coca-Cola Co. will prove to have bettered in 1937 an already strong financial position.

While a purchaser of the common stock of The Coca-Cola Co. obtains in return for his money earning-power-plus and an interest in a working capital position which is more than ordinarily strong, he does not get a great deal of so-called tangible property. The company's latest available balance sheet carried permanent assets—land, buildings, machinery and containers—at a net valuation of approximately $7,500,000. We do not know whether it is something commendable or something to be deplored that a company should be able to earn in a year an amount equivalent to three times the total physical assets of the business. Certainly it is most unusual, but as The Coca-Cola Co. has been earning a remarkable percentage on its physical assets for so long, it surely denotes no alarming weakness.

By far the biggest item in Coca-Cola's balance sheet is headed "Formulae, trade-mark and goodwill—at cost —$30,576,423," which represents the trade-mark, goodwill and franchise rights which the company has purchased and paid for in cash. This kind of balance sheet differs greatly, of course, from those of highly industrialized concerns, but the fact that the company's "going concern" value is derived from unusual sources does not necessarily mean that it should be held in any the less esteem.

With this conclusion the market would appear to agree, for the stock has sold above $170 a share this year and even today one must pay $112 a share for it. While this represents substantial decline, it is less than that which has taken place in the market as a whole and at $112 a share the stock of The Coca-Cola Co.—at some twenty-times this year's probable earnings—is not statistically on the bargain counter.

On the other hand, there is some excuse for liberally discounting the future in this particular case. This year's dividend of $4.50 is equivalent to $36 a share on stock which was outstanding as *(Please turn to page 324)*

Building Stocks Appraised

Government's Plan to Stimulate Private Construction Draws Popular Attention to Potentialities

BY SAMUEL R. MARTIN

The speculative spotlight has been thrown recently on stocks of companies identified with construction because of the public attention attracted by the Government's drive to encourage a renewed recovery in residential building. The purpose of the New Deal program in substantially liberalizing the terms of F H A insured mortgages is laudable and in the long run may prove an effective building stimulant.

Anyone buying, or contemplating buying, a building stock or stocks at the present time, however, should realize that there are speculative hazards involved both in the selection and the timing; and should further keep in mind that the longer term trend of construction will be more greatly influenced by certain fundamental economic factors than by any changes the Government brings about in the field of mortgage credit.

The most significant F H A change proposed is that the down payment on homes valued at $6,000 or less shall be reduced to 10 per cent, as compared with 20 per cent at present. Building-and-loan credit has long been available in England on this basis, and with interest of 4½ per cent as against minimum of 5¼ per cent suggested for F H A. Yet the records show that only 58 per cent of the total number of mortgages accepted for F H A insurance involved loans up to the legal limit of 80 per cent. This brings home, in striking fashion, the reality that factors other than the terms of credit have operated to keep residential construction at a low level.

For a construction boom in this country—genuinely needed to house our population on even a minimum standard of shelter—we need a generally favorable trend of economic activity and national income and a favorable relationship between rents and the costs of building. It is quite possible that a foundation for renewed expansion in construction may have been provided by spring. One part of this needed foundation—a favorable general business trend—is unpredictable, since it depends so largely on the tangible and psychological results of the Government's efforts in coming weeks to restore confidence. The second part of the foundation—a favorable ratio between rents and the cost of building—is already in process of being prepared.

While it would be decidedly optimistic to expect any substantial and general reduction in the cost of building labor, the chances are that wage rates in these crafts at least have reached a ceiling for an indefinite time to come. Prices of building materials have been shaded substantially, however, and may work a bit lower. Meanwhile rents have continued to advance, standing now more than 10 per cent higher than a year ago, 42 per cent above the depression low of 1934 and only some 3 per cent under the 1929 level. When it is cheaper to build than to rent, we have a setting for expansion of building.

The table and comments accompanying this article will prove helpful in making speculative and investment selections of stocks that would participate in a revival of construction.

Companies Associated with Building

COMPANY	BUSINESS	Earned per Share 1936	Earned per Share Est. 1937	Current Price	Divs. Dec'd This Year	COMMENTS
Alpha Portland Cement	Cement	$1.34	.60	13	$1.00	Financial position is secure and 644,600 shares of stock are sole capitalization. Earnings receding because of higher costs and lower volume. Company would be helped by improvment in residential building but benefits most from heavy construction.
American Radiator & Std. Sanitary	Plumbing and heating equipment	.70	.80	14	.60	Products are such that company would benefit greatly from revival in residential construction. Large capacity and heavy common stock capitalization make for slow recovery in profits per share. Financial position strong.
Archer-Daniels-Midland	Linseed and other oils	3.05a	5.01a	27	2.00	Earnings subject to relative sharp fluctuations Most recent balance sheet shows substantial increase in inventory which may involve write-down due to decline in raw material prices. Bank loans also substantial.
Armstrong Cork	Floor coverings and cork products	4.36	4.00	39	2.00	Profits per share compare favorably with year ago, although stock capitalization has been enlarged. Company is a direct participant in construction and building renovation. May pay substantial extra dividend this month.
Crane Co.	Plumbing equipment	2.03	3.50	28	1.00	Reflecting increased operating efficiency, profits have recovered closer to the 1929 level than has the volume of construction. Sales and earnings performance to date augurs well for this company in any future period of rising building activity.

COMPANY	BUSINESS	Earned per Share 1936	Earned per Share Est. 1937	Current Price	Divs. Dec'd This Year	COMMENTS
Devoe & Raynolds "A"	Paints	4.49b	5.00b	35	3.25	Small share capitalization makes this a thin stock, subject to wide market fluctuation. Trade standing is good but for investment in a paint stock the much larger Sherwin-Williams is to be preferred.
Flintkote	Asphalt & Asbestos Roofing	1.75	1.90	17½	1.00	Company's major field of roofings is highly competitive and price structure has been subject to recurrent periods of pressure. The issue is speculative but not without longer term promise, assuming ultimate building revival.
General Electric	Electrical equipment	1.52	2.15	43	2.20	Many of this company's diversified list of products would reflect improvement in demand for building. As an indirect and partial participation in building, the stock's appeal is to the conservative investor.
Holland Furnace	Hot air furnaces-Air Conditioning	2.89	2.40	24½	1.50	Sharp decline in general business has come in what is normally this company's most profitable season. The stock is nevertheless a promising speculation on the future of building and air-conditioning. Financial position appears adequate.
Johns-Manville	Asbestos products	5.13	6.00	82	3.00	Among the Blue Chips of the building material stocks. Capable of showing fast earnings gains and broad market appreciation under favorable conditions in construction. Although final quarter earnings are unfavorable, an extra dividend may be paid.
Lehigh Portland Cement	Cement	2.91	1.20	18	1.50	Earnings were sharply lower because of higher costs and the competition of imported cement in eastern markets even before the slump in building began. Outlook clouded also by Federal anti-trust charges aimed at cement industry.
Libbey-Owens-Ford	Flat and spun glass	4.15	4.30	38	4.00	Bulk of profits derive from sale of glass to the motor industry, but company is second largest maker of plate and window glass. The stock is more likely to move in line with the motor equities than with the building group.
Lone Star Cement	Cement	3.23	3.70	37½	3.00	We regard this as the best of the cement stocks, but all are speculative and subject to wide variations in earnings. Less risky ventures are offered in other sections of the building group.
Masonite	Wallboard and insulation	5.00c	3.03c	32½	2.50	Lower net per share due solely to increase in common stock outstanding. This is a small company which has been remarkably successful in earning record high profits under depressed building conditions. One of the more promising speculations in construction.
Minneapolis-Honeywell Regulator	Temperature control equipment	4.78	4.75	63	3.00	Company has an enviable trade position and with construction less than half of former levels earnings before present downturn were at record high. For the conservative-minded buyer, this stock is one of the best bets on the future of building
National Gypsum "A"	Wallboard, lath, etc.	.56	.40	7⅝	....	Third quarter earnings per share less than half figure for third quarter of 1936. Final quarter results will be unfavorable. The stock is a radical speculation
National Lead	Lead and pigments	1.71	2.20	26¾	.50	Earnings appear to justify extra dividend. Company is one of the strongest and best managed in American industry. The equity merits consideration in any conservative portfolio.
Otis Elevator	Elevators, escalators	.82	1.80	23¼	1.40	Outlook for construction of type requiring elevators is not bright. Company is the leader in its field and financial position is sound, but in our opinion more promising building equities are available.
Owens-Illinois Glass	Bottles, stemware, glass blocks, insulation	3.79	4.00	66	3.25	Bulk of profits for some time to come will derive from glass containers, but expanding markets are indicated for glass block and glass wool insulation. Stock is conservative medium for partial participation in building.
Paraffine Companies	Roofing, linoleum, paint	4.56a	5.28a	38	4.00	One of the sounder speculations in the building group. Company has a well diversified line of products and is in a position to benefit promptly from any revival of residential construction.
Penn-Dixie Cement	Cement	Dif.	Dif.	4¾	....	Although financial position has been well maintained, we regard the equity as radically speculative. Any substantial earning power appears remote.
Pittsburgh Plate Glass	Flat glass, paints	7.15	ne	89	6.50	A strong company whose earnings by 1936 surpassed those of 1929 by large margin. In the absence of interim reports, we have no basis for judgment as to the present position.
Reynolds Metals	Insulation, lath, joists, etc.	1.98	1.80	16	1.00	A broad and increasingly diversified list of building products should permit this company to benefit from any improvement in construction. Controlling interest and subsidiary relationships somewhat complex.
Ruberoid	Asphalt and asbestos roofing	2.05	2.10	22	2.00d	Has shown substantial average earning power even under adverse conditions. The stock is speculative, but not without considerable merit as such.
Servel	Gas, electric, kerosene refrigerators	2.35	2.60	14½	1.60	Company wholly dependent on trend of refrigerator sales. Greater than seasonal decline in volume now shown and industry probably nearing maturity.
Sherwin-Williams	Paints	8.04c	8.41c	91	6.00	The largest paint manufacturer in the world, with excellent earnings and dividend record. The equity is one of the outstanding investment issues in the building material group.
Square D "B"	Switches, fuse boxes, etc.	3.22	3.42f	23	2.00	A small company with a favorable earnings record. Demand from industry more important to it than residential building, although it also participates in the latter.
Timken-Detroit Axle	Oil burners, air conditioning	2.19	2.00	14½	.50	Earnings derive mainly from truck and bus axles but oil burner division would benefit from revival in home construction or renovation.
U. S. Gypsum	Plaster, wall board, etc.	4.01	4.10	72	2.50	This is one of the few Blue Chips of the building group. When there is demand for building materials, the company gets its share.
Westinghouse Electric	Electrical equipment	5.67	7.40	110	6.00	Like General Electric, Westinghouse offers a partial stake in building, with broad product diversification lessening the investment risk.
Yale & Towne	Locks, building hardware	2.49	2.15	25	1.00	An old and sound company whose sales are geared very closely to the trend of construction. The "Yale" trademark is well established.

a—Year to June 30. b—Year to Nov. 30. c—Year to Aug. 31. ne—No estimate possible. d—Including $1.40 in 4% registered promisory notes. e—Year to Oct. 31. f—Year to Sept. 30.

Hope Dawns for Spain

How American Investments May Fare As War Clouds Disperse

BY HARRY CHAPIN PLUMMER

The author of this informative article has recently returned from three years of observation in all parts of Spain and Morocco. Mr. Plummer has seen the Spanish revolt from all angles and has closely studied the political forces at work. He throws new light on conditions as they have been and, more important, as they are likely to be.—EDITOR.

As the civil war in Spain now appears definitely to be nearing its close, American financial and commercial interests are engaged in preliminary surveys to determine the possibility of the resumption of business in that country following the conclusion of peace. More than at any time since the revolution of July 19 of last year shocked the civilized world, hopes are centered upon the restoration of a stable, responsible government.

Every indication points now to the victory of the Nationalist forces, generally referred to on this side of the Atlantic as the "rebels," as their operations have resulted in a succession of military victories and as considerably more than two-thirds of the territory rests under their control although the now slightly more than one-fourth remaining in "loyalist," or government hands, comprises three of Spain's greatest industrial centers—Barcelona, the present capital, Madrid and Valencia. Two others, Bilbao and Málaga, were retaken by the Franco armies.

Regardless of victory by either of the opposing forces, however, there is ground for belief that an orderly government amenable to traditional practices and obligation of international diplomacy will be set up. There exists the general feeling that, even in the event of an outright capitulation of the "loyalists" to the Franco arms, a totalitarian or Fascist state is most unlikely to result. On the other hand, should the Barcelona government succeed in winning the struggle, "collectivization" and other Soviet-inspired theories will not materialize, since the extreme "Red" elements in the remnant of the "Popular Front" government seated at last year's elections have been gradually weeded out during the war's course. Despite the vehement protests of both belligerents that one or the other will surrender, a compromise forced by both interior and exterior influences in all probability will develop.

One result of the war is a virtual certainty. That is that martial law will be declared for at least a brief interval once peace is declared. That period of martial law—perhaps no more enduring than were the few weeks of martial law imposed during the Mississippi and Ohio valley floods last year—will be a safeguard against either a totalitarian state or a Soviet dictatorship after the Moscow pattern. With Britain's tacit consent the restoration of the monarchy in Spain is not to be unlooked for. But the strongly "individualist" temperament and sentiment of the Spaniard and General Francisco Franco's own political and military record on Spain's mainland and in the Spanish Protectorate of Morocco, of which latter he was *"alto comisario,"* or high commissioner, for several years, do not lend encouragement to expectation of Fascist rule. Faced with a Moorish and Jewish ratio of 7 to 1 to the resident and migrant Spanish, or Christian, population during his administration of both old Morocco and the Protectorate, in the early years of this decade, he had to impose a species of dictatorship which established absolute respect for law and order. It did not, however, unduly curtail personal liberties while it most effectively did protect the rights of all three races, peoples and religions. This *regime* was in no way comparable to that of the totalitarian States of Europe. So, if he comes to head the new Spanish State, native and foreigner, it now becomes apparent, will be guaranteed the orderly processes of law and security for property and business. In all probability, an eventual parliamentary form of government will be the final outcome.

Losses Not Irredeemable

Latest surveys of the losses thus far suffered by business interests of the United States as the result of the revolution of mid-July, 1936, and the ensuing seventeen months of warfare indicate that they are neither as great nor as irredeemable as had been feared. Furthermore there now is every reason to expect that a proper measure of indemnification will be realized irrespective of the issue of the present conflict. This news is particularly gratifying in view of the disclosure that the gross American investment in the Peninsula represents a proportion of the sum total of our corporate capital outstanding abroad which by no means is insignificant. This proportion actually is considerably higher than

that originally credited by financial and industrial circles here. Speculation, therefore, centers not so much on the impending fact of the civil war's termination as in the degree of governmental stability and responsibility that will result from the conflict's ending and how American and foreign investors will fare therefrom.

Despite the havoc wrought by the struggle and its attendant appalling loss of life and injury to public and private property and to the country's industry, relatively quick economic recovery is looked to follow the conclusion of hostilities. The precedents offered by the history of the Spanish nation and its invariable quick "come back" after earlier wars—civil wars, wars of invasion of the erstwhile kingdom and foreign wars — affords one criterion. The fact that Spain is a land of agricultural and mining production and not one of great and complicated industrial structure, as a corrollary, affords a second. The conditions of comparative social soundness behind the lines of both belligerent forces in the present conflict affords a third.

While it is true that American properties have suffered by military operations, such as aerial and field bombardment, occupation and use by contending armies and, in certain instances, by outright confiscation, the damage wrought by no means has been irreparable. Almost without exception the properties may again be brought into running order for peace-time operation within short order and the financial losses met by the satisfaction of claims negotiated through routine political or diplomatic channels. Not only are the claims protected by treaties effected between the United States and predecessors of the existing government, but in several instances they are specifically provided for in agreements post-dating the treaties and entered into between individual corporations and the government of the republic or that of the monarchy which it succeeded. That both the treaties and the separate agreements will be respected by the authority coming into power with the close of the Spanish war appears now to be a matter of reasonable expectation.

Immediate direct cash payment of indemnities following the conclusion of peace obviously is not to be looked for. Nevertheless, qualified American business observers both here and in Europe believe that there will be a remission of taxes and waivers of many of the ante-bellum restrictions placed upon the operation of our major businesses in that country. Particularly important are those handicapping peseta-dollar exchange and the remitting home of capital advances, earnings and interest over long intervals of time. Final satisfaction of claims in time cash allotments or in state obligations discountable in one form or another will be forthcoming, it is currently believed.

Overshadowing all other commitments of American corporate investors in Spain are those of the International *(Please turn to page 327)*

Courtesy American Export Lines.

At and around this intersection of Madrid's Calle de Alcala and Gran Via, American "Big Business" maintained imposing branch establishments—the Telephone Building in upper background.

Wide World Photo.

Sandbag barricades protect the lower floor of the Telephone Building.

Wide World Photo.

The General Motors assembly plant at Barcelona which was seized and used to produce war machinery for the Loyalists.

Machine Tool Industry Faces Favorable Prospects

Heavy Backlogs from Earlier Months— Outlook for New Orders in the Spring

BY GEORGE W. MATHIS

WHILE it is not possible that there could be a slump in general business as drastic as the one we are experiencing without its having *some* effect upon the machine tool industry, this effect so far has been very much less severe than one might imagine. Moreover, builders of machine tools are regarding the future with considerably greater optimism than most of us. This is partly the result of the great backlog of orders with which this industry entered the slump and partly the result of a belief that we are to see a greater mechanization of industry than ever.

There can be no question about the first of these points: at one time earlier in the year the machine tool industry as a whole had so many orders on the books that it was wondering how they all were to be filled. Lack of skilled labor was not the least of the difficulties. As for the second point, it must be admitted that a belief in the greater mechanization of industry is well founded in probability. Anything done to raise the costs of production, such as higher wages, is an automatic challenge to management to find a way to offset it. And the solution is so frequently a bigger, faster, or better machine. Then, too, sometimes mere fear of labor trouble will tilt the scales in favor of mechanization. After all, many managements would have rested a great deal easier during the past few years if they had only been able to comfort themselves with the thought that machines cannot strike, sit-down, slow-down, nor can they prevent access to the corporate property.

There is also the question of age. Not long ago the *American Machinist* made a study which showed that the percentage of machine tools more than ten years old in use in this country had declined between January 1, 1935, and July, 1937, only from 65 per cent to 61 per cent of the total. And this, despite all the activity that has been seen. In 1930 only 48 per cent of the machine tools in use were more than ten years old.

Finally, one may forecast the greater mechanization of industry because of the smaller tolerances and improved finishes which are demanded of a modern product. It is seldom realized with what extraordinary rapidity machine tools are being made obsolete: long before they wear out as machines a better product is being made by something else. Hence, we have not only a large percentage of old machines from the standpoint of years, but we have an even larger percentage of obsolete machines.

Accentuating this fundamentally bright background there are various special considerations. In the first place, a government which has done everything possible to harass business, increase the costs of production and curtail expansions, shows signs of relenting. Because

of its action as a deterrent to modernization and expansion of plant, the tax on undistributed profits has been a grave menace to machine tools. Relief, however, has been promised. Also, there has been talk of less persecution of the public utilities with a view to promoting their further expansion. If this were actually carried out, together with the other plans that are said to exist for the stimulation of heavy industry generally, machine tools and machinery would be important beneficiaries.

On the other hand, neither the probable greater mechanization of industry which promises further dynamic growth for machine tools, nor the fact that the Government has indicated reversal of policies which should be stimulating to these manufacturers, precludes the possibility of the next few months being a period of uncertainty. While machine tool builders are still relatively active, they are working into their backlogs. New orders in October, according to the National Machine Tool Builders Association, dropped to the lowest level since November, 1936. Hence, it would seem that all except those manufacturers whose product is a long time in processing must shortly find their books largely clear of unfilled business.

Not that this need necessarily represent all loss. The machine tool industry is not really geared to operate as ferverishly as it was doing early in the year, for, in order to do so, it must work overtime and employ labor which is not the most skilled and efficient. This tends to make for costs which are abnormal.

A great deal depends over the near-term on incoming foreign business. This is always important in machine tools and particularly so at the present time. The world-wide rearmament programs have meant much to the American tool and machinery industries. It was largely because of foreign orders that there was a sharp upward swoop in the index of the National Machine Tool Builders Association for September and that this index held at a comparatively high level for October. Foreign orders are coming in at a rate well above last year and they currently comprise about half the total.

If it can be assumed that business from abroad, together with miscellaneous domestic business, will be sufficient to carry the machine tool industry over the next few months, there is not a great deal of which to be afraid. The railroads are expected to obtain an important increase in freight rates and as soon as their revenues show material improvement they may be expected to enter the market for tools and machinery. Last year the rails are estimated to have taken more than 7 per cent of the machine tool output.

Then there is the automobile industry to be considered. Normally, this is by far the best single customer for machine tools. Now, no one can have failed to observe the widespread lack of essential differences between the 1938 cars and those that preceded them. Some observers have expressed the opinion that the automobile industry will undertake extensive changes in 1939 models, provided the general outlook for the public's purchasing power be reasonably good. It may well be, however, that there will be extensive changes almost regardless of the general outlook. In our opinion the automobile industry took the attitude that business during the first part of 1937 was so extremely good that it could afford to coast in 1938. When the slump became apparent, it was too late to make drastic revisions. Now that automobiles are not selling over-well and it is being freely predicted within the industry that sales of 1938 cars will be materially under those of the 1937 models, it will be surprising indeed if the industry does not try and drum up business through 1939 by offering something radically different. If this is a correct appraisal of the situation, orders for (*Please turn to page* 328)

Important Manufacturers of Machinery & Machine Tools

Company	1936	1st 9 mos. 1937	Current Price	COMMENT
Bliss, E. W.	$0.99	$1.20	$ 7	Makes various presses for metals and plastics; also, can machinery. Company met December 9 and approved a plan to eliminate large arrears on the preferred stocks.
Bullard	2.50	1.69a	22	Business is the manufacture of vertical turret lathes and machinery for boring, turning and facing operations. Automobile industry principal customer. Foreign sales are of great importance.
Ex-Cell-O Corp	1.08	1.24	10	Maker of borers, millers, grinders and brooches, also, carbide-tipped and other special cutting tools. Turns out in addition certain finished parts for diesel and aircraft engines.
Link Belt	2.97	3.61	40	Specializes in material handling machinery. Line includes cranes and shovels, loaders and pumping units, tipples and coal-washing machinery. Chain power-transmissions is the original and still important division. Automobile industry is normally the largest single customer, taking about 10% of output.
Mesta Machine	4.26	N.F.	41	Heavy rolling mill and other steel machinery comprises the company's business. Has obtained much foreign business in recent years. In October it was said that there were enough orders on hand to assure capacity operations through 1938.
Monarch Machine Tool	1.87	2.23	15	A recent newcomer to the New York Curb. Uninterrupted dividend record since 1913. Semi-automatic and full-automatic lathes, together with their accessories and attachments, make up the company's line.
National Acme	1.37	2.39	12	Products include turret lathes, chucking machines and single and multiple spindle screw machines. Automobile industry is principal customer.
Niles-Bement-Pond	4.04	4.75b	33	Makes a varied line of dies, taps, reamers, cutters and other small tools. Also produces lathes, grinders, shapers and borers. In November, backlog of orders was only slightly below the peak.
United Engineering & Foundry	3.35	2.61a	38	Heavy rolling, finishing and other steel mill equipment is the company's specialty. Does business throughout the world. Backlog of orders continues large.
Van Norman Machine Tool	1.88	3.04c	16	Output includes milling machines for die, pattern and tool work, oscillating grinders, valve refacers and reseaters and machines for boring and reconditioning cylinders. During the five years prior to 1936, export sales averaged 28% of gross.

N.F.—Not available. a—1st 6 months. b—1st 7 months. c—1st 40 weeks.

Should Benefit Handsomely on Utility Expansion

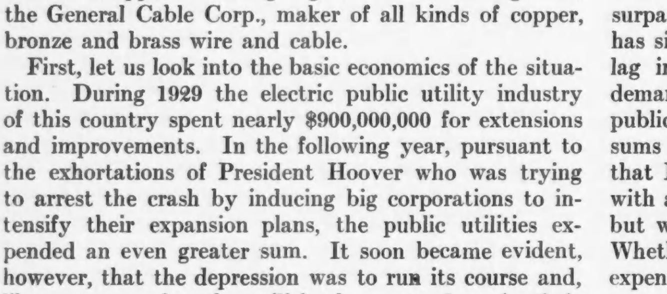
Investor Has Choice in Three Price Fields

BY GEORGE L. MERTON

THE reasoning is simple. There is talk of the public utilities spending huge sums for improvements and extensions. If this is a prospect sound economically, sound politically, then the manufacturers of electrical equipment and apparatus are going to benefit—among them the General Cable Corp., maker of all kinds of copper, bronze and brass wire and cable.

First, let us look into the basic economics of the situation. During 1929 the electric public utility industry of this country spent nearly $900,000,000 for extensions and improvements. In the following year, pursuant to the exhortations of President Hoover who was trying to arrest the crash by inducing big corporations to intensify their expansion plans, the public utilities expended an even greater sum. It soon became evident, however, that the depression was to run its course and, like everyone else, the utilities began to draw in their horns. During 1933 and 1934 they spent in each year well under $200,000,000 for capital extensions and improvements, the figure for last year being something in excess of half a billion dollars. This year's total will be higher, but still well under the pre-depression level.

On the other hand, the output of electrical energy surpassed the old boom-time high as early as 1935 and has since gone much higher. The contrast between the lag in capital expenditures and the record-breaking demand for electricity is the basis for the belief that the public utility industry might be induced to spend large sums for the expansion of facilities. And it is just this that President Roosevelt has been trying to get done with a view to checking what he has called a recession, but which most of us are beginning to call depression. Whether the public utilities are behind in their capital expenditures two billion dollars, or three billion dollars as some contend, is a matter of little moment. The point is that they are unquestionably way behind and it is to be concluded, therefore, that the expansion of public utility facilities is a possibility which rests upon a solid economic foundation.

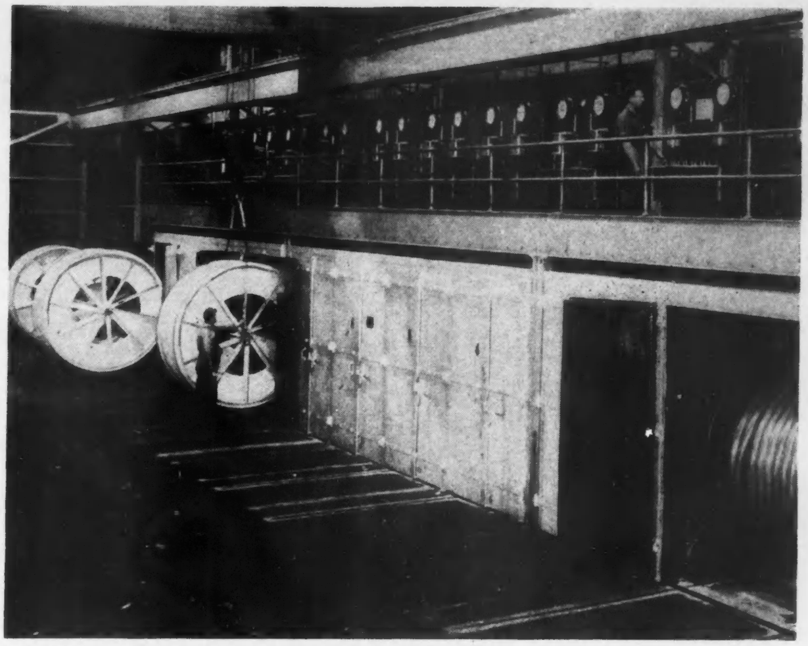


Unfortunately, it is not possible to regard the political foundation with quite the same confidence. The Administration may, or may not, be sincere when it talks of removing some of the burden of political persecution, restriction and competition. On the other hand, there is a growing popular conviction that the utilities have been treated too harshly which is finding reflection in Congress, and we hear of plans to modify some of the most oppressive legislative features. What the utility spending may do to revive business is a powerful influence on Administration policy.

With the economic light a gratifying go-ahead green and the political light changing from a red to at least a cautious fluttering yellow, we have a combination which suggests that the investor make ready to "proceed." The man to get away

first will now have his motor speeded up. He will be informed as to the position of the various companies that are likely to benefit from heavy expenditures for construction on the part of the public utilities in order that he may move without delay on the further clarification of Washington's attitude.

As has been said, one company among the many of those in line to benefit from public utility expansion is the General Cable Corp. Formed in 1902, the company has undergone many changes since it first saw the light of day. Between 1925 and 1929 expansion was particularly rapid and many companies in the same or allied fields were acquired. Today, while the business may be somewhat narrow in scope, it is all-comprehensive between the limits set. Output ranges all the way from the finest enamel instrument wire to the heaviest aerial and underground cables. In addition, the company makes copper rods and tubing and a line of insulated aluminum wires and cables.



Processing high voltage oil-filled underground cable in one of General Cable Company's plants.

The General Cable Corp. possesses a number of plants scattered throughout the country. There are two in New Jersey, one at Perth Amboy and the other at Bayonne, two in New York, at Buffalo and Rome, two in California, at Los Angeles and Emeryville, and others at Baltimore, Maryland; Detroit, Michigan; Fort Wayne, Indiana; Mobile, Alabama; Pawtucket, Rhode Island, and at St. Louis, Missouri.

Although General Cable is under consideration at the present time mainly from the standpoint of its being a beneficiary of electric public utility expansion, it is not to be thought that this is the only field to which the company caters. It has customers among the telephone and telegraph companies and a varied clientele in the construction industry.

There is no need to go any further than the nature of the business to discover a reason why General Cable suffered so disastrously during the late depression. Public utilities of all kinds curtailed expenditures drastically, construction activities fell as close to zero as anything can, while on top of all this the precipitous decline in metal prices resulted in large inventory losses. Hence the deficits, aggregating more than $14,000,000, which were reported for the years 1930, 1931, 1932, 1933 and 1934. For the following year General Cable showed black figures for the first time since 1929, earnings being equivalent to $2.72 a share on the 7 per cent preferred stock. Last year the preferred dividend was covered by a margin equal to $1.64 a share on the outstanding Class "A" stock. Finally, for the twelve months to September 30, last, we find the company again reporting earnings on its common, the net profit of $3,408,975 for this period being equivalent to $1.61 a share after preferred and Class "A" dividend requirements.

The capitalization of General Cable consists of 150,000 shares of 7 per cent cumulative preferred stock of $100 par value, 368,353 shares of Class "A" stock and 550,730 shares of common stock. There is also outstanding some $11,000,000 in first mortgage bonds bearing interest at 5½ per cent.

Owing to the lack of earning power during the depression, dividends on the preferred were passed and, of course, commenced to accumulate. With a payment of $7 a share in 1936 and another distribution of $7 in the middle of the present month, the company has held its own during the past two years so far as dividend accumulations are concerned, but there are still back dividends of $33.25 a share on the preferred to be liquidated before te Class "A" stock can receive anything. The latter has preference over the common as to an annual dividend of $4 a share, but this payment is non-cumulative unless earnings shall be equivalent to at least $8 a share on the outstanding stock. So far there are no accumulations on this issue and from present indications it does not appear that even the much improved showing for the present year will be good enough to make the cumulative clause effective by virtue of earnings equal to $8 a share on the "A." Indeed, results for 1937 may be somewhat less favorable than one would expect owing to lower metal prices and the necessity of making adjustments therefor.

Provided the political outlook works out favorably which of the three stocks which make up the capitalization of the General Cable Corp. is likely to prove the best speculation? The preferred is currently selling for about $80 a share, the Class "A" for about $25 and the common for about $13. In our opinion there is not a great deal to choose between them. Except that the Class "A" is convertible at any time into two shares of common, the former in our opinion would be the least desirable, limited as it is to a maximum dividend. However, the convertible feature puts a different complexion on matters and the "A" should be regarded just as if it were two shares of common. (*Please turn to page* 319)

Taking Profits Out of Stock Habits

Trader's Record Brings Out Many Instructive Points in Chart Interpretation

BY FREDERICK K. DODGE

In this day when chart interpretation is very much in vogue, there is a constant search for technical patterns which have a tendency to repeat themselves. The theory is that a certain formation having taken place once under given circumstances will have a tendency to repeat when conditions again are similar.

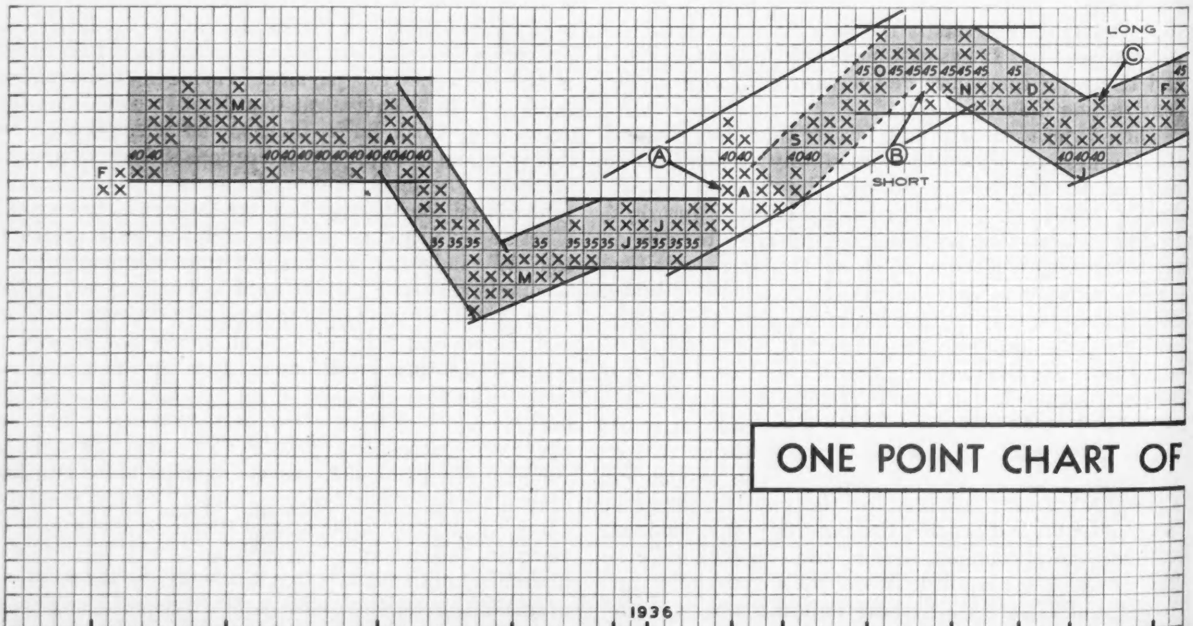
Substance is given to this view not only by past records but also by the well known fact that individual issues do develop certain recognizable market habits or characteristic traits of market behavior.

In this connection the experience of a trader who makes a conscientious study of point and figure charts to uncover the market characteristics of various issues, is both interesting and instructive.

His theory is that constant repetition of formations can be put to profit, providing the trader has necessary patience to await his opportunity and, once committed in a situation, the necessary patience to see it through until it ceases to follow the pattern movement.

One of his profitable ventures serves to illuminate his theory. It has to do with Electric Auto-Lite common stock, a chart which is reproduced below. It was noted Electric Auto-Lite had a tendency to fluctuate constantly within parallel trend lines, through the period from February, 1936, to July, 1936. The natural assumption was this trait or characteristic could be put to advantage by trading within and upon the penetration of these trend lines.

In this case, the trends of market averages and business indices were of no consequence, since the stock had developed this continuity of pattern regardless of the general market information.



After noting the pattern development to the middle of July, 1936, an attempt was made to trade on any penetration of the trend and also within the trend line limits when they were of sufficient duration to allow a trading opportunity. The first move (A) was undertaken on the penetration of the upper horizontal trend bar formed in May, June and July of 1936. Here was a definite buy signal. One hundred shares were purchased at 38 and the long position was continued while the new diagonal trend line formed during August-September-October, 1936.

Meanwhile, a smaller diagonal parallel trend (dotted lines) developed within the large upward trend lines and a *downside penetration* (B) of this smaller trend in October dictated a reversal of position at 44. The original commitment of 100 shares long was reversed by the sale of 200 shares at 44. On each subsequent commitment two hundred shares were sold or purchased as the occasion demanded. In this way, a market position of one hundred shares, either short or long stock, was maintained at all times.

The consummation of this trade left a short position of one hundred shares at 44 with a gross profit of six points attained on the original purchase at 38 by the sale of the stock at 44.

During December and January, a downward diagonal trend gradually became noticeable with an upside penetration (C) at 43. At this point the short position was, on the evidence of this penetration, reversed to long stock with another one point gross profit.

On the next movement the diagonal parallel trend assumed an upward course until early March when the stock penetrated (D) the downside trend bar at 42. This necessitated another reversal of position and the first loss of one point in the trading to date.

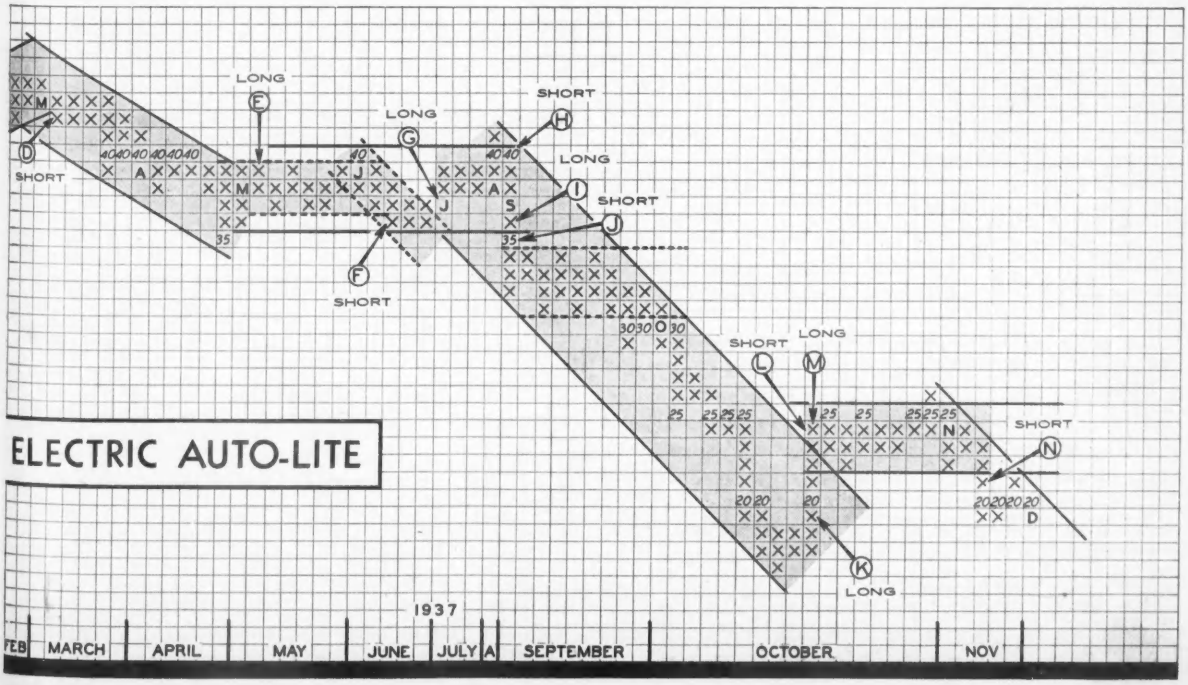
For two months the stock then followed a downward diagonal trend finally breaking out on the upside at 39 in early May. Two hundred shares were purchased at this point (E) to gross three points profit on the stock sold short at 42.

Subsequently, a parallel horizontal trend formed between the limits of 37 and 39 with what subsequently was shown to be a *false* penetration on the upside at 40. There was no necessity for action on this penetration, however, as the position at that time was one hundred shares long. Following this penetration another false move (F) occurred on the downside of this horizontal trend at 36. This, of course, made it necessary to reverse the position to short stock with a loss of three points.

Prior to this penetration a small downward diagonal trend (dotted lines) was in the process of formation. On the first of July an upside (*Please turn to page 324*)

Summary of Operations

				Loss	Profit
(A) 100 Bought @ 38		(B) 100 Sold	@ 44		6
(B) 100 Sold	44	(C) 100 Bought	43		1
(C) 100 Bought	43	(D) 100 Sold	42	1	
(D) 100 Sold	42	(E) 100 Bought	39		3
(E) 100 Bought	39	(F) 100 Sold	36	3	
(F) 100 Sold	36	(G) 100 Bought	37	1	
(G) 100 Bought	37	(H) 100 Sold	40		3
(H) 100 Sold	40	(I) 100 Bought	36		4
(I) 100 Bought	36	(J) 100 Sold	35	1	
(J) 100 Sold	35	(K) 100 Bought	18		17
(K) 100 Bought	18	(L) 100 Sold	24		6
(L) 100 Sold	24	(M) 100 Bought	24		
(M) 100 Bought	24	(N) 100 Sold	21	3	
(N) 100 Sold	21			—	—
Points Profit					40
Points Loss				9	
Gross Gain				31	$3100.00
Commissions and Taxes					472.52
Net Gain					2627.48



Stocks in Favorable Position for Current Purchase

Selected Group Which Affords Inflation Protection and Participation in Prospective Improvement

BY THE MAGAZINE OF WALL STREET STAFF

Amerada Corp.

Earnings Per Share		Price Range 1937		
1937*	1936	High	Low	Recent Price
$2.75	$2.52	114⅞	51½	$56

*Estimated

Amerada Corp. is distinguished from other major oil companies by the fact that it engages almost exclusively in a single phase of the oil industry—the extraction of crude oil. The company has been exceptionally successful in its exploration and drilling activities and, on a per-share basis, Amerada's estimated proven reserves are believed to be larger than any other publicly owned oil company in the United States. At the end of 1936, the company had 1,066 producing wells located on a million acres of land, located for the most part in Oklahoma, New Mexico, Texas, Kansas, Louisiana and California.

Last year, production of crude oil by Amerada totalled 8,853,688 barrels, a daily average of 24,190, as compared with a daily average of 21,367 in 1935. The average price received by the company for crude oil sold during 1936 amounted to $1.07 a barrel, but with the benefit of increased prices this year, the average should be higher for 1937.

Net profit in 1936 of $1,983,901 was equivalent to $2.52 a share on the 788,605 shares of common stock outstanding with the public. In the first nine months of the current year, net profit totaled $1,673,878, or the equivalent of $2.12 a share, contrasting with $1,405,632, or $1.78 a share in the corresponding months a year ago. In connection with the company's earnings it should be borne in mind that they are reported on a characteristically conservative basis. All intangible drilling costs, geophysical and geological expenses, lease rentals, as well as ample charges for depreciation and depletion are deducted from current *income*. On this basis, profits for the full current year are likely to be between $2.75 and $2.90 a share. Dividends this year have been paid at the rate of 50 cents quarterly.

Recently quoted around 56, the shares, in relation to indicated earnings, do not appear to be particularly undervalued. At the same time, however, the market undoubtedly makes some attempt to appraise the company's huge reserves of crude oil. It is the presence of these large reserves which lend considerable merit to the shares as an inflation hedge, while from a more immediate standpoint, the prospective demand for both crude oil and refined products promises to be sustained at relatively high levels. The shares, on the whole, possess longer term merit and might well show substantial price appreciation from recent levels in any intermediate market recovery.

International Nickel Co. of Canada, Ltd.

Earnings Per Share		Price Range 1937		
1937*	1936	High	Low	Recent Price
$3.10	$2.39	73⅜	37	$44

*Estimated

To the extent that the shares of International Nickel Co. offer the investor several outstanding features not to be found in the shares of domestic corporations, they are unique. Being a Canadian corporation, International Nickel would not be bound by the terms of the Neutrality Act or the Surplus Profits Tax. Neither is the company subject to political vagaries in the United States. Also the company holds a virtual monopoly in the nickel industry. All of these factors lend considerable appeal to the shares as a hedge against an inflationary economy.

The management of International Nickel has been singularly successful in developing new outlets and uses for nickel and last year, with the added impetus of large sales for re-armament programs throughout the world, volume sales were 30 per cent greater than in 1935 and

Favorably Situated Stocks

	Price Range 1937 High	Low	Recent Price
Amerada Corp.	114 7/8	51 1/2	$54
International Nickel	73 3/8	37	44
E. I. duPont de Nemours	180 1/8	98	118
Caterpillar Tractor	100	40	51
Climax Molybdenum	37	24 1/2	28
National Lead	44	18	27
Socony-Vacuum	23 1/4	13	16

established an all-time record. Profits last year of nearly $37,000,000 also were at a new high level. Notwithstanding the general business recession in the past several months, it is a safe assumption that the record of 1936 will be short-lived—surpassed by that of the current year. In the first nine months of this year alone, net profits of $38,944,380, or the equivalent of $2.57 a share on 14,584,025 shares of common stock, were greater than in the entire 1936 year. On this basis, per-share results for the full current year will be upwards of $3.10 a share, which would compare with $2.39 a share earned last year. The company is also a large producer of copper and while average production costs are low, earnings in the final quarter of this year and in the early months of 1938 will reflect the sharp decline in copper prices from the higher levels which prevailed earlier in the year. Even if adequate allowance is made for this prospect, however, there is little likelihood that quarterly earnings will fall below 50 cents a share.

Financial position of International Nickel is practically impregnable. At the end of last September cash, or its equivalent, was in excess of $49,000,000 and total current assets of $85,481,272 compared with current liabilities of $17,126,379. Obviously, the management is permitted considerable latitude in the matter of dividends. Payments throughout the past year have been at the rate of 50 cents quarterly and will be augmented by a 25-cent extra at the year-end.

With operations world-wide in scope, International Nickel is advantageously situated to cope more effectively with a recession in general business in the United States. All of which tends to render substantial support to the belief that the shares at recent levels around 44 offer a soundly valued investment opportunity.

E. I. duPont De Nemours & Co.

Earnings Per Share 1937*	1936	Price Range 1937 High	Low	Recent Price
$7.00	$7.56	180 1/8	98	$116

* Estimated

In effect, the investor in the common stock of E. I. duPont de Nemours & Co. is afforded practically as high a factor of diversification as might be found in the average selected list of industrial stocks. The company is the largest manufacturer of finished and semi-finished chemical products in the country. The vast sums which have been spent by duPont in research have greatly broadened the company's scope with the result that its products are consumed by such a widely diversified group of industries as textile, chemical, automobiles, paper, construction, petroleum, mining, iron and steel and agriculture. Moreover, a sizable portion of its products are sold directly to the ultimate consumer, a condition which tends to impart an additional element of stability to earning power in both good times and bad. As the dominant factor in its field, duPont may be credited with all of the advantages which have come to be identified with the chemical industry—freedom from raw material problems, a low ratio of labor costs to the price of finished products, and an exceptionally strong factor of growth. It is therefore apparent that the company's shares are entitled to serious consideration as a suitable hedge against possible inflation.

In addition, duPont has a sizable investment in the common stock of General Motors, being roughly equivalent to about one share of General Motors for each of its own shares. This investment has yielded substantial dividends in the past, although in more recent years, income from manufacturing operations has contributed a greater portion of earnings than General Motors' dividends. In 1936 the General Motors' dividends contributed 45 per cent of income, whereas prior to 1933, dividends on General Motors never contributed less than about 55 per cent, and in 1927 were nearly 65 per cent. DuPont's report for the nine months to September 30th reveals net income of $62,799,523, equal, after all charges and preferred dividends, to $5.33 a share on 11,036,490 average common shares. The most recent showing compared with net income equal to $5.31 on 11,050,973 average common shares in the first nine months of 1936. For the full year, earnings promise to be around $7.00, or perhaps slightly more. Including the recent year-end declaration, dividends paid this year totalled $6.25 per share on the common. Ahead of the common is an issue of $50,000,000 $4.50 preferred stock. There is no funded debt and financial position is fully in keeping with the company's size and prestige.

Deducting the General Motors' equity, equal to about $35 per share, present levels for duPont around 116 appraise the company's chemical business at 81, or about twenty times the proportion of earnings which will be contributed by its own operations this year. Although high by comparison with many other issues, this figure does not seem excessive when all of the outstanding features of the company's position are taken into consideration. DuPont common stock is truly a "blue chip" issue and over a reasonable investment term is unlikely to prove disappointing to holders.

Climax Molybdenum Co.

Earnings Per Share 1937*	1936	Price Range 1937 High	Low	Recent Price
$2.50	$2.07	37	24 1/2	29

* Estimated

In several respects, the position of Climax Molybdenum Co. is similar to that of International Nickel Co. Climax Molybdenum is cred- (*Please turn to page 320*)

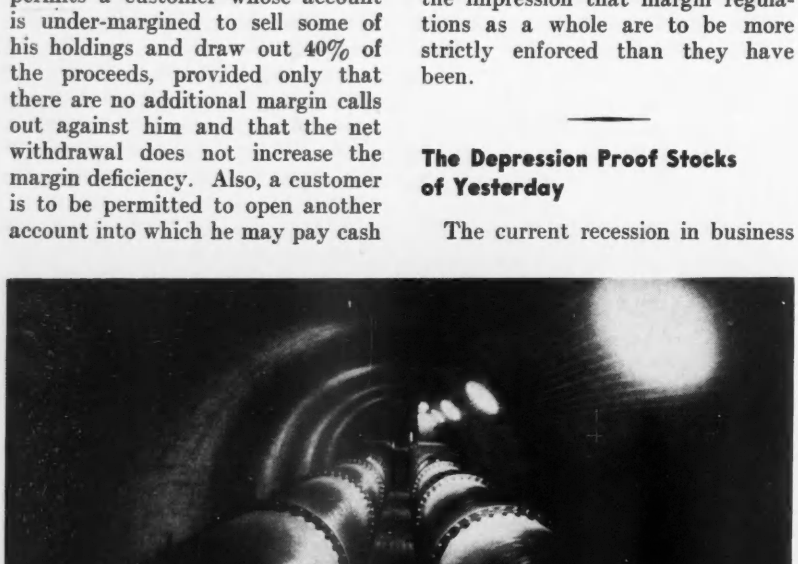
For Profit and Income

Latest Margin Revisions

The Board of Governors of the Federal Reserve System recently announced changes in margin regulations which will become effective January 1. Among the most important of the changes is one which permits a customer whose account is under-margined to sell some of his holdings and draw out 40% of the proceeds, provided only that there are no additional margin calls out against him and that the net withdrawal does not increase the margin deficiency. Also, a customer is to be permitted to open another account into which he may pay cash or securities and trade on them without their being frozen by the margin deficiency. After January 1 the segregation of commodity-future and security-margin accounts will be mandatory. There were, in addition, a number of changes involving more precise language and which give one the impression that margin regulations as a whole are to be more strictly enforced than they have been.

The Depression Proof Stocks of Yesterday

The current recession in business which besets the country calls to mind an earlier period when something similar happened. Now, as then, investors are groping for stocks which may be expected to do better than the general average. It is interesting to see what has happened to the depression proof issues of yesteryear. At one time we remember the big purveyors of dairy products were considered depression proof, so were the strong operating public utilities, the trade-marked foods, the grocery chains, and of course the tobaccos. Nor was a public's faith in the stocks of companies in these industries entirely misplaced. Dividends were maintained and, on the whole, these groups came through the depression much better than most. The trouble has been, with the possible exception of the tobaccos, that they have not been able to stand prosperity. They steadily lost ground during the recovery movement which set in with the advent of the present Administration. Look at the purveyors of dairy products now, harassed by "control" and unable to curb their costs; at the public utilities which a Government has persecuted almost into the ground; at the grocery chains which are being taxed out of business. It's a sad sight and if it has a moral it is probably that one cannot count on common stocks remaining "good" indefinitely.



The water of the Humboldt River flows through these enormous steel pipe lines on its way to irrigating ditches for Nevada's reclamation projects. Public works such as this are preventing steel operations from making an even sorrier showing.

Significant Straws

The success of the Army's streamlined division in the recent Texas maneuvers is held to have greatly furthered the cause of mechaniza-

tion. It is possible that aggressive buying of trucks on the part of the Army will help to tide this industry through the present recession. . . . During the late liquor war in New York City one would not have thought that the state has a price-maintenance law. The general defiance and evasion of the Feld-Crawford Act makes one wonder whether this is not another of those laws which is "bad" because it is unenforceable. . . . The paperboard industry has been hard hit by the slump in business. As yet, however, there has been no demoralization of the price structure. . . . Gold has moved out of the United States in larger quantities than most people believe. The visible exports are being made from the sterilized gold fund, the invisible exports from the stabilization fund. . . . American Rolling Mill omits the usual quarterly dividend—the first of the important steel companies to bring home to its stockholders the drastic nature of the slump in this industry's operations. . . . The fixing of bituminous coal prices is going to cost industry a pretty penny. No one knows quite how much it will be: guesses vary between $50,000,000 and $200,000,000 a year. The long-suffering railroads and public utilities will be among the principal contributors.

Developments in Companies Recently Discussed

Sears, Roebuck. . . Sales for the four weeks to December 3 were slightly under the corresponding period a year ago. While sales for the 44 weeks to the same date are still 11.2% above 1936, the report for the most recent period is the first time this year that Sears has failed to make a favorable comparison with 1936.

Consolidated Aircraft. . . Has obtained a contract involving $4,500,000 for thirty-three navy patrol planes.

General Motors. . . Sales in November were 24.5% below November, 1936, and 14.2% below November, 1935. Until the outlook for the automobile industry becomes clearer, it would be better perhaps to avoid the stocks of the companies involved.

Columbian Carbon-United Carbon. . . Reports of the third reduction in the price of carbon black within a month is a development adverse to the stockholders of these companies. Demand on the part of rubber companies which are the greatest users of carbon black has been curtailed.

General Electric. . . Will distribute this year under its profit-sharing plan some $5,800,000, or more than twice as much as was distributed in 1936.

Hudson & Manhattan. . . Wishes to increase its fares from 6 cents to 10 cents. A hearing before the I. C. C. will be held January 18 and it is believed that the company will succeed in obtaining a measure of relief. In the light of the prospect, the road's bonds—adjustment mortgage 5s, currently selling around 18—are an interesting speculation.

Philip Morris. . . Profits for the six months to September 30 were equivalent to $6.04 a share of common stock, compared with $3.27 a share for the corresponding previous period. Recent sales have been record-breaking and the company may well close its present fiscal year with earnings almost double the $6.88 a share reported for the previous twelve months.

Bethlehem Steel. . . In announcing the declaration of a further dividend of $1 a share on the common stock, the company's president voiced the hope that there would be a balance for the common stock in the final quarter. This was something of a pleasant shock to those who have been judging everything from the current rate of steel operations.

International Tel. & Tel. . . Without consideration of the Spanish subsidiary's operations, this company reports earnings equivalent to $1.10 a share of common for the first nine months of the year, compared with 38 cents a share for the corresponding previous period.

Higher Commission Rates Proposed

The Committee on Quotations and Commissions of the New York Stock Exchange has submitted a report to the Governing Committee proposing an increase in commission rates. It is estimated that the proposed increase would raise charges to the public 11% and to members 5%. It was also suggested that there be a minimum commission of $3 on all transactions and that there be imposed a minimum service charge of $2 monthly on all inactive accounts. There is no question, of course, but that the brokerage business at the present time is not a particularly profitable one. It is to be doubted, however, that the remedy lies in higher commission rates. Already trading in securities is subject to a sufficiently high overhead. A further increase from this point may well seriously curtail the volume of transactions.

A Blow to the Railroads

The Interstate Commerce Commission has summarily dismissed the railroads' proposal that they be permitted an immediate increase in freight rates. The roads had thought that they would at least be permitted to argue their case. They are now casting around for other means to expedite matters and are said to be considering asking the Commission to consolidate hearings now assigned. Although these developments have been a blow to the railroads and the holders of railroad securities, it is believed that the desperate plight of the carriers is so obvious that they must necessarily be granted before very long—probably early in the new year—a major part of the freight increase for which they are asking.

The Best and Worst Actors in Leading Groups

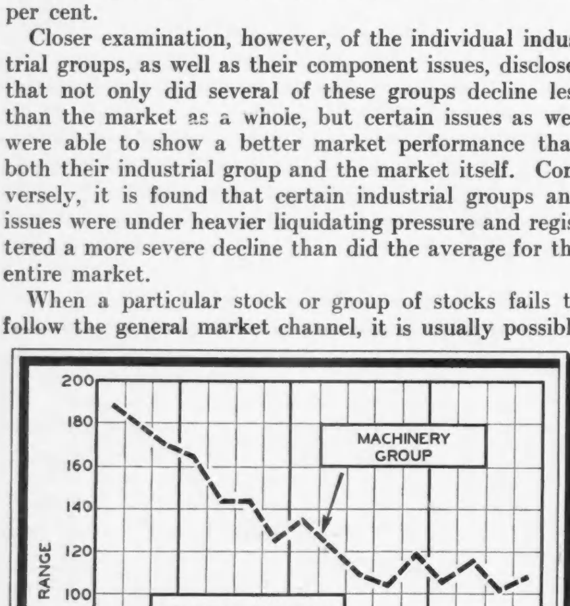
Which Represent the Better Opportunities Today?

BY EDWIN A. BARNES

In a decline so sweeping and sharp as that experienced by stock prices this year, one is likely to fall readily into the not unnatural habit of appraising the situation in terms of the market as a whole. The market action of individual issues may be obscured or lost sight of when all stocks are being subjected to recurring waves of liquidation. On October 16 every one of the 43 industrial groups comprising The Magazine of Wall Street's Common Stock Index made a new low. Subsequently 36 of these groups fell even lower. Between August 14 and November 27, the 330 issues comprising the aforementioned index recorded a decline of 41.3 per cent.

Closer examination, however, of the individual industrial groups, as well as their component issues, discloses that not only did several of these groups decline less than the market as a whole, but certain issues as well were able to show a better market performance than both their industrial group and the market itself. Conversely, it is found that certain industrial groups and issues were under heavier liquidating pressure and registered a more severe decline than did the average for the entire market.

When a particular stock or group of stocks fails to follow the general market channel, it is usually possible



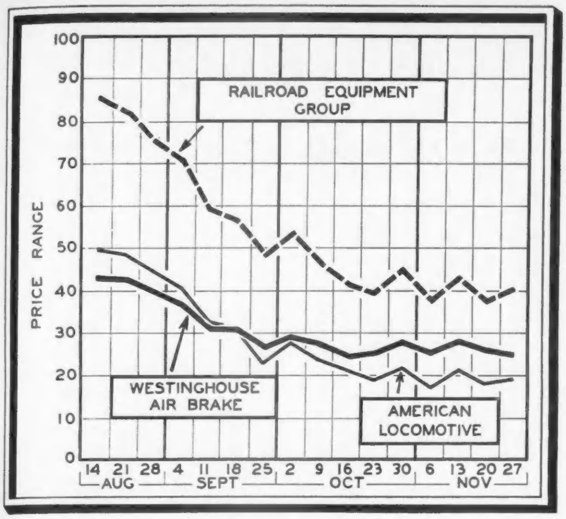
to discover significant reasons for their counter trend. In the case of issues which have offered fairly stubborn resistance to the decline, the logical assumption is that they are favored by factors which may be counted on to sustain their earning power and give clearer definition to their prospects. While it is true that issues which have declined appreciably less than the market may be vulnerable to belated selling, this condition is less likely to prevail in the present setting than would be the case had the decline been of less duration and scope. On the other hand, uninformed overselling may well be responsible for unduly depressing certain groups, and not, as is frequently assumed, that those issues which have shown a greater decline than the market are facing a serious loss of earning power and adverse prospects.

The fact that certain issues, or groups of issues, have acted better or worse than the market trend affords a timely basis for further examination and investment consideration.

One of the outstanding examples of market divergence is that afforded by General Electric and Foster Wheeler. The Machinery Group in The Magazine of Wall Street Common Stock Index between August 14 and November 27 registered a net decline of 42.4 per cent, only slightly greater than that of the market as a whole. In the same period, however, General Electric declined less than 28 per cent, while the shares of Foster Wheeler registered a loss of 59.6 per cent—considerably more than either the market or the Machinery Group.

Notwithstanding the marked contrast in the action of these two issues, both identified with more or less the same industry, the manner in which the market has appraised their relative position and prospects is much more logical than may appear at first glance.

General Electric is probably one of the best known companies in the world. Certainly in its field the company has no peer; it blankets the field of electrical equipment; and it makes everything electrical from the tiniest of lamps to huge generating plants. It would be almost impossible to catalog the many contributions which General Electric has made to the progress of civilization, science and industry. Moreover, its earnings record has been fully in keeping with its industrial prestige. Profits were shown in every year of the depression and dividends have been paid continuously for many years.



By contrast Foster Wheeler is a comparatively small company. Its products are of a more specialized nature, and include steam generating equipment, petroleum refining units, boilers, pulverized fuel systems, economizers, evaporators, etc. It is only too obvious that the company's business is of the type that couldn't stand much in the way of a depression. Demand for the company's products is active only when industry as a whole is confident and willing to expand and modernize plants and equipment. As a result Foster Wheeler has shown a loss in every year since and including 1931. Dividends amounting to $35 a share have accumulated on the preferred stock. Yet at their high this year the company's shares sold above 54, and within ten points of the 1937 high for General Electric. Orders of Foster Wheeler had shown an encouraging gain this year; profits in the first six months were nearly $72,000; and for the full year it was believed that earnings might reach $3 a share for the common. Given the benefit of several years of good business, a reasonable expectation in view of the large potential demand for its products built up as a result of long deferred purchases and normal obsolescence, the company should be able to earn $5 or $6 a share on its modest common stock capitalization. This prospect, however, can only be envisaged at a time when business generally is gaining, not when an indefinite recession is in progress. Hence, the substantial decline experienced by the shares.

The shares of General Electric, on the other hand, have a considerable element of investment character and the company has previously demonstrated its ability to resist a depression. This year the company will have paid a total of $2.20 in dividends and earnings will amount to about $2.25 a share. Quoted some twenty points under their current high, General Electric shares conceivably are selling to discount fully some recession in the company's business in the earlier months of next year.

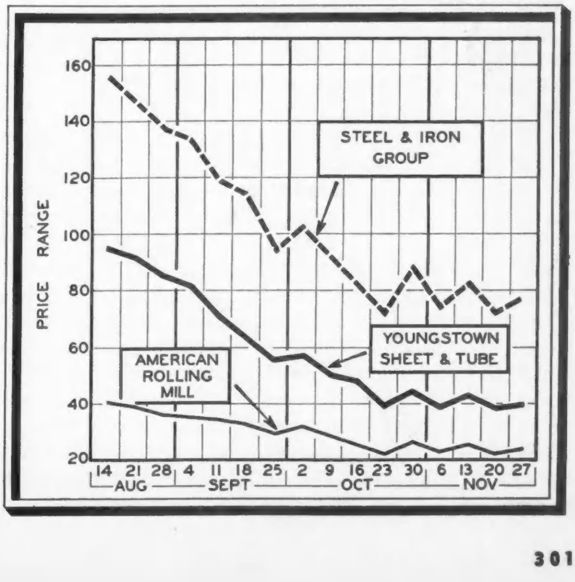
In the period from August 14 to November 27, the Railway Equipment Group declined 54.5 per cent, or substantially more than the market as a whole. All of the leading manufacturers of railroad equipment entered the current year with their order books bulging for the first time since the late '20's and the hope prevailed that most of the leading carriers would be able to replenish their equipment needs in large scale fashion. Subsequently, however, the ability of the railroads to carry out such a program was vitiated by greatly increased wage costs and inadequate rates. Thus, in less than a year's time the outlook for the railway equipment industry changed from one of high promise to gloomy uncertainty. At the present time, hopes that this prospect may again be slowly changed for the better are being pinned on the possibility that the I C C will take favorable action on the railroads' petition for increased rates, now pending.

Comparing the market action of two representative railway equipment issues, it will be noted that whereas American Locomotive shares registered a decline of 61.6 per cent, a drop greater than the group as a whole, Westinghouse Air Brake shares declined only 40.5 per cent, or about the same as the market as a whole.

Here again the market appraised these two issues in terms of the relative degree which they were likely to be affected by a business recession and the indefinite postponement of railroad buying. It has been the verdict of the market that American Locomotive will be hit hard, while the effects upon Westinghouse Air Brake will be less severe.

However, should the railroads be granted an increase in rates and be favored by an increasing volume of traffic, both admittedly conjectural possibilities, the shares of American Locomotive would undoubtedly prove the more attractive speculative vehicle. To what extent the company has benefited by even the modest revival in equipment purchasing this year is indicated by the first-half showing. In this period profits exceeded $2,000,000, comparing with a loss of about $176,000 a year ago. Unfilled orders were large at the end of last June, and for the full year the company may earn upwards of $3 a share on the common stock.

Notwithstanding the somewhat dubious near term prospect for the railway equipment industry, Westinghouse Air Brake's earnings may hold up relatively well, with the probable benefit of sustained replacement demand through the program of replacing all the old type "K" brakes with the new *(Please turn to page 326)*



How Leading New Issues Have Fared Marketwise

Bonds and Preferreds Recently Brought Out Vary Widely in Behavior

BY J. S. WILLIAMS

THE recent decline in the price of securities has not been all loss. It is, after all, something to have learned that a high grade investment remains a high grade investment through thick and thin, whereas a medium grade investment becomes distinctly second grade as soon as the economic picture clouds. Never has this essential difference been more forcefully brought out than in the past few months. Truly high grade bonds have given little, if any, ground, while obligations just a shade off color have toboganned almost as if they were comon stocks.

One of the commonest of errors when times are good is to rate bonds according to their respective yields. Bonds yielding the same return are considered to be of the same grade. This is wrong. Then, if the lowest average return from long-term obligations is, say, 3½ per cent, it is thought that an investment which yields 4 or 4½ per cent is only slightly inferior to the best. This, too, is wrong.

Our points may best be illustrated perhaps by considering the present status of some of the bond offerings that have been made this year. Southern Bell Telephone & Telegraph, for example, sold a series of 3¼s at 96½: today they are selling above par. On the other hand, the Bethlehem Steel 3½s which were offered at 95½ can be bought for ten points under their offering price. Or, contrast the Great Northern 3¾s, which were brought out at 97½ and which can presently be bought around 80, with the Union Electric 3¾s which were sold originally at par and today command a 6-point premium. There are many more apparent discrepancies. There is the $4.50 preferred of Consumers Power which was offered at 100½ and can be bought currently for about 83, whereas the $4.50 preferred of Continental Can which was brought out at par sells for 107.

How Recent Flotations Fare

Bonds	Offering Price	Current Price
Bethleham Steel 3½s, 1952	95½	85
Brooklyn-Manhattan-Transit 4½s, 1966	103½	56
Celotex 4½s, 1947	101½	75
Dallas Power & Light 3½s, 1967	102¾	106
Great Northern 3¾s, 1967	97½	80
Houston Light & Power 3½s, 1966	103	104
Idaho Power 3¾s, 1967	98½	100
National Container 5½s, 1952	100	74
New York Telephone 3¼s, 1967	100	104
Ohio Edison 4s, 1967	100½	101
Philadelphia Electric 3½s, 1967	102⅛	105
Southern Bell Tel. 3¼s, 1962	96½	101
Tide Water Assoc. 3½s, 1952	101	100
Union Electric 3¾s, 1962	100	106
Wilson & Co. 3¾s, 1947	101	83
Preferred Stocks		
American Rolling Mill 4½	101	69
Consumers Power $4.50	100½	83
Continental Can $4.50	100	107
Du Pont $4.50	100	110
Monsanto Chemical $4.50	101½	113
Ohio Public Service 5½%	92½	80
Rustless Iron & Steel $2.50	51	38
Standard Brands $4.50	95	104
Walgreen 4½%	101½	73

Why should the subsequent market action of these comparable issues be so divergent? It cannot be explained by a difference in general market conditions. The underwriters of the Bethlehem Steel issue took a frightful loss, while the Continental Can preferred, brought out about the same time, went over with a bang. Is this just the unaccountable whim of the investing public? We do not think so.

When the Bethlehem Steel issue was first thought of, all was well with the industry. Bethlehem was confidently expected to report large earnings on its common stock and, of course, would show fixed charges earned many times over. Nor were the expectations misplaced: the company's report for this year will be surprisingly good. On the other hand, the precipitous decline in steel operations which has taken place between the time of the issue's devising and the present has served to call attention to the essentially speculative nature of the steel industry. While Bethlehem will make a good report for the full year 1937, it can hardly fail to call attention to the sharp decline in profits during the fourth quarter.

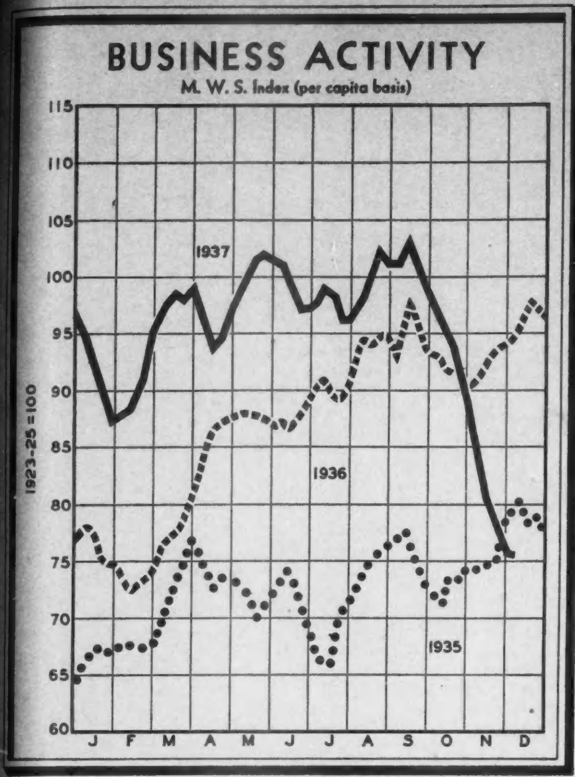
Now, one of the prime requirements of a good bond is that there should be stability of earning power with which to serve it. It is better that fixed charges should be earned three times steadily than that they be covered ten times one year and hardly covered the next. This is one test that the steel industry is inherently unable to meet, for it is up in the clouds and down in the dumps with bewildering alternation. Although one would hardly go so far as to say that there are no really first class steel bonds, it does mean that there is a natural tendency to over-appraise the bonds of a steel company when the industry is active and that they fall to more nearly their proper level (*Please turn to page 323*)

these
e ex-
ions.
ok a
rred,
th a
ount-
pub-

Steel
f, all
ustry.
y ex-
nings
d, of
arges
Nor
aced:
this
good.
ecipi-
tions
ween
vising
ed to
tially
steel
n will
e full
ail to
p de-
ourth

bond
with
hould
cov-
next.
ently
wn in
n one
really
natu-
com-
all to
323)

1923-25 = 100



HIGHLIGHTS

INDUSTRY—Decline in heavy industries now flattening out for mild upturn early next year. Recovery may be slow, unless Government tries inflation.

TRADE—Christmas goods pick up a little; but wholesalers suffer from high retail inventories.

COMMODITIES — Raw material spot prices should be watched. Upturn often precedes major changes in business and market trend.

MONEY AND CREDIT—Large potentialities for corporate capital exist, but lack of confidence restrains offerings. Commercial short term borrowing is light.

The Business Analyst

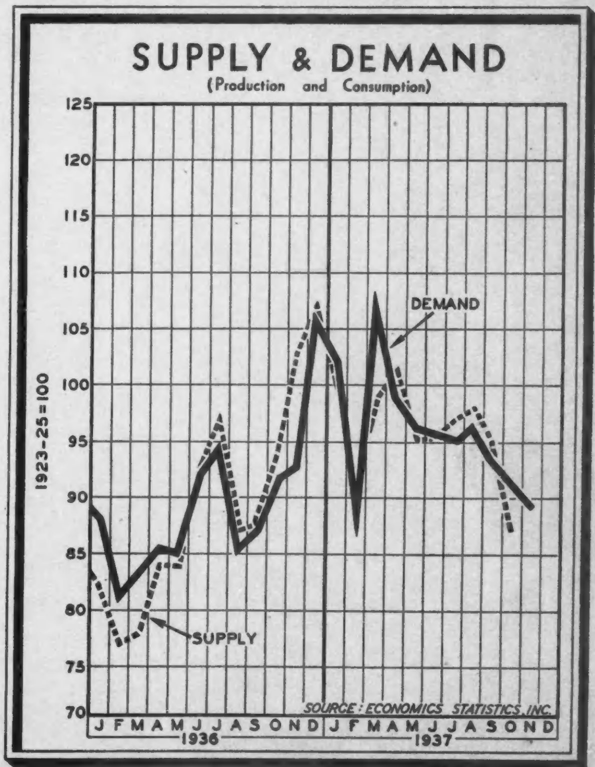
The slump in Business Activity, as depicted in the accompanying graph, is beginning to flatten out. The rate of recession is becoming less severe in industries which led the decline, but other lines, which have thus far shown fair resistance to the depression, are now slackening to some extent. Geographically, the depression, which first hit the New England textile states and the industrial Middle West, has recently reached the Pacific Coast. Moderate recovery is expected to set in after the turn of the year, starting with the steel industry; but progress may be slow.

* * *

Business Profits, after recovering about 80% of the ground lost between 1929 and 1932, are now receding again under the impact of contracting sales and heavy inventory write downs necessitated by declining raw material prices.

Industry continues to subsist on what remains of the excessive inventories which were unwisely accumulated during the inflation boomlet of last Spring and Winter, and expectations of some spontaneous recovery in general business activity early next year are founded largely upon the belief that unduly depleted inventories must eventually be built up again. If there were more certainty as to Washington's longer term policy—if fears of government

(Please turn to next page)



Business and Industry

	Date	Latest Month	Previous Month	Last Year
INDUSTRIAL PRODUCTION (b)				
World	Sept.	110.3	113.0	104.8
U. S. A.	Oct.	93.5	100.8	98.9
Canada	Oct.	112.6	108.0	105.2
United Kingdom	Oct.	120.4	121.0	115.6
France	Sept.	75.6	71.7	74.8
Germany	Sept.	120.1	120.0	111.9
WHOLESALE PRICES (h)	Oct.	85.4	87.4	81.5
COST OF LIVING (d)				
All items	Nov.	89.0	89.5	85.8
Food	Nov.	85.4	86.7	84.3
Housing	Nov.	89.1	89.2	81.4
Clothing	Nov.	78.3	78.7	74.0
Fuel and Light	Nov.	85.8	85.4	86.5
Sundries	Nov.	97.8	97.9	95.1
Purchasing value of dollar	Nov.	112.4	111.7	116.6
NATIONAL INCOME (e)	Sept.	97.5	99.0	88.3
NON-AGRICULTURAL INCOME (e)	Sept.	96.8	97.0	87.9
CASH FARM INCOME†				
Farm Marketing	Oct.	$907	$816	$882
Including Gov't Payments	Oct.	911	821	904
Estimated for year 1937	Oct.	$8,700	......	$7,865
FACTORY EMPLOYMENT (f)				
Durable Goods	Oct.	97.3	97.3	89.2
Non-durable goods	Oct.	103.7	107.3	104.7
FACTORY PAYROLLS (f) (not adjusted)	Oct.	100.2	100.1	89.0
RETAIL TRADE				
Department Store Sales (f)	Nov.	91	93	94
Chain Store Sales (g)	Oct.	114.8	117.0	109.0
Variety Store Sales (g)	Oct.	100.1	104.5	98.9
Mail Order Sales†	Nov.	$86.9	$109.1	$84.8
RETAIL PRICES (s) as of	Nov. 1	95.7	96.3	90.0
FOREIGN TRADE				
Merchandise Imports†	Oct.	$224.4	$233.4	$212.7
Cumulative year's total†		$2,652.0	......	$1,981.0
Exports†	Oct.	$333.1	$296.7	$264.9
Cumulative year's total†		$2,712.3	......	$1,999.8
RAILROAD EARNINGS				
Freight Revenues★	Oct.	$307,104	$293,811	$325,909
Passenger Revenues★	Oct.	35,510	38,374	33,912
Total Operating Revenues★	Oct.	372,926	363,071	391,301
Total Oper. Expenditures★	Oct.	270,357	262,712	261,035
Total Operating Income★	Oct.	73,101	70,401	101,722
Net Operating Income★	Oct.	60,747	59,305	89,809
BUILDING Contract Awards (k)				
Total†	Oct.	$198.5	$202.1	$208.2
Residential†	Oct.	60 0	65.5	68.4
Public Works and Utility†	Oct.	44.0	61.6	55.8
Non-Residential†	Oct.	77.0	75.0	65.9
Publicly Financed†	Oct.	79.0	79.0	101 3
Privately Financed†	Oct.	127.5	127.5	124.6
Building Permits (c)				
214 Cities†	Oct.	$60.6	$72.2	$74.4
New York City†	Oct.	30.0	14.5	16.3
Total, U. S.†	Oct.	90.6	88.7	90.7
LUMBER PRODUCTION, feet†	Oct.	1,929	2,256	2,352
CONSTRUCTION COST INDEX (n)	Oct.	184	185	166

PRESENT POSITION AND OUTLOOK

(Continued from page 303)

policy, repression and the burden of restrictive taxes were lifted—replenishment of stocks all the way from raw materials to finished goods would already be in progress, and the expected spurt in **production** at the turn of the year might be of a more extended and enduring character.

* * *

The decline in raw material prices has at last begun to affect **retail prices,** which are being reduced to stimulate sales and clear the shelves for fiscal year-end inventory taking. The price structure, however, is badly out of balance. Some 40% of the population (farmers and union labor) has boosted its purchasing power at the expense of reduced living standards for the remaining 60% (unorganized and unemployed workers). Meanwhile soft coal prices, land and ocean transportation rates, and social security taxes are being advanced. **Department store** sales, under the stimulus of reduced prices, are picking up with approach of the Yuletide; but trade this season will fall short of last year, and inventory write-downs will also hurt profits. Wholesalers are suffering from current hand-to-mouth buying policy of their customers; but aggregate **chain store** sales for the year to date are running about 5% ahead of last year.

* * *

Foreign trade is still well ahead of a year ago, with by far the better comparisons being made by Exports; since imports are beginning to feel the retarding effects of our business depression. Import volume also reflects lower raw material prices.

* * *

Railroad net operating income in October was about a third less than last year, in spite of a gross income shrinkage of only 5%. The explanation, of course, is higher wages and costs of material and supplies. It is generally believed that the carriers will be granted a major portion of the 15% freight rate increase requested, probably within the next few months; but even this will not suffice to overcome all the inroads into profits occasioned by the present business depression. Western and Southwestern roads have been authorized to raise passenger fares by 25%; but it is rather doubtful if Eastern lines will be granted the same privilege.

* * *

Building permits in October, owing to a 40% increase in non-residential projects, were only 5% below last year in estimated cost, despite a 27% decline in residential permits. Engineering construction awards in November were off only 2% from the like month of 1936. Cement, in which inventories are 19% higher than a year ago, would be rather badly hit by the President's proposed reduction in Federal outlay for road building, if approved by Congress. It is beginning to be doubted that much help to the building industry can result from Government efforts unless labor will cooperate by accepting lower wages in return for steady employment. The best hopes seem to lie in a spontaneous revival based upon the growing shortage of housing. The **rent index** in November showed the first decline since 1934.

	Date	Latest Month	Previous Month	Last Year
STEEL				
Ingot Production in tons★	Nov.	2,153.8	3,392.7	4,323.0
Pig Iron Production in tons★	Nov.	2,006.7	2,892.6	2,947.0
Shipments, U. S. Steel in tons★	Nov.	587.2	792.3	882.6
AUTOMOBILES				
New Registrations				
Passenger Cars (p)	Oct.	197,391	225,442	167,534
Trucks (p)	Sept.	53,116	58,681	53,278
Total Production	Oct.	337,979	175,620	230,049
Total Retail Sales, Cumulative to	Nov. 1	3,629,895(p)	......	3,361,537(p)
PAPER (Newsprint)				
Production, U. S. & Canada★ (tons)	Oct.	393.0	390.0	382.1
Shipments, U. S. & Canada★ (tons)	Oct.	394.8	380.4	388.8
Stocks, U. S. & Canada★ (tons)	Oct.	109.0	111.0	76.0
LIQUOR (Whisky)				
Production, Gals.★	Oct.	7,877	8,343	20,299
Withdrawn, Gals.★	Oct.	8,095	6,342	8,200
Stocks, Gals.★	Oct.	449,930	450,961	352,619
GENERAL				
Machine Tool Orders (f)	Oct.	217.2	301.1	195.1
Railway Equipment Orders				
Locomotive	Nov.	13	None	174
Freight Cars	Nov.	1,625	21	1,550
Rails (tons)	Nov.	61,727	8,200	277,472
Cigarette Production†	Oct.	13,892	14,854	13,204
Bituminous Coal Production★ (tons)	Nov.	35,300	40,675	41,879
Boot and Shoe Production Prs.★	Oct.	28,768	33,887	39,916
Electrical Gds. Orders Booked★	3d quar.	$215,937	$260,836	$191,319
COMMERCIAL FAILURES (c)	Nov.	770	768	600

PRESENT POSITION AND OUTLOOK

Despite the recent slump in **automobile** assemblies, total output for the fourth quarter will probably be not much more than 10% below last year. As average factory prices are about 10% higher and some materials costs are lower, it is expected that profits for the closing three months will about equal the earnings for last year's fourth quarter. Special efforts will be concentrated henceforth upon the problem of moving rather heavy stocks of used cars. Truck sales would be stimulated by the granting of higher transportation rates.

* * *

Newsprint prices will be raised next year to $50 a ton, from the former $42.50; but the effect upon earnings will be about offset by a proportionate curtailment in production during the first quarter of the new year.

* * *

Distillery profits are not affected by the recent brief retail price war in New York City, which has been made the occasion for court testing of the State's Feld-Crawford Price Maintenance Act.

* * *

Boot and **shoe** production for October was 28% below October of 1936; but inventory losses this year-end will be somewhat lower than expected, owing to the recent rise in hide prices.

WEEKLY INDICATORS

	Date	Latest Week	Previous Week	Year Ago
ELECTRIC POWER OUTPUT				
K.W.H.†	Dec. 4	2,153	2,065	2,134
TRANSPORTATION				
Carloadings, total	Dec. 4	623	559	745
Grain	Dec. 4	38	33	36
Coal and Coke	Dec. 4	132	128	180
Forest Products	Dec. 4	28	25	34
Manufacturing & Miscellaneous	Dec. 4	244	216	301
L. C. L. Mdse	Dec. 4	155	135	169
STEEL PRICES				
Pig Iron $ per ton (m)	Dec. 7	23.25	23.25	19.73
Scrap $ per ton (m)	Dec. 7	13.08	12.92	16.50
Finished c per lb. (m)	Dec. 7	2.605	2.605	2.274
STEEL OPERATIONS				
% of Capacity (m)	Dec. 11	27.5	30.0	76.0
CAPITAL GOODS ACTIVITY (m)	Dec. 4	60.8	59.0	92.5
PETROLEUM				
Average Daily Production bbls.★	Dec. 4	3,387	3,426	3,000
Crude Runs to Stills Avge. bbls.★	Dec. 4	3,230	3,325	3,002
Total Gasoline Stocks bbls.★	Dec. 4	70,193	68,544	59,326
Gas and Fuel Oil Stocks bbls.★	Dec. 4	121,319	121,616	110,913
Crude—Mid-Cont. $ per bbl	Dec 4	1.27	1.27	1.17
Crude—Pennsylvania $ per bbl	Dec. 4	1.95	2.10	2.00
Gasoline—Refinery $ per gal	Dec. 4	.07¼	.07¼	.06½

PRESENT POSITION AND OUTLOOK

For the first time in several years, **electric power** output has dropped below the previous year. The greatest contraction is still reported in textile New England and Central industrial regions; though yearly gains are now narrowing even on the Pacific Coast.

* * *

Although **steel** operations continue to drift to new lows for the current depression, scrap prices have recently hardened a little and small orders are beginning to trickle in at a somewhat more gratifying rate as consumer inventories shrink. It is believed in the trade that the low point for at least four or five months to come will be touched during the year-end holidays. Fourth quarter earnings will, of course, be generally poor.

* * *

Under the intelligent cooperation of State regulatory bodies the production of **petroleum** has become more immune to the ravages of a general business depression than any other important industry except gold mining. Even during the major depression from which the country has been painfully emerging the extreme drop in annual consumption of petroleum products, from the 1929 peak to the 1932 trough, amounted to only 14%; so that the severe slump in profits a few years ago was due mostly to overproduction, especially of gasoline, which still requires more self restraint.

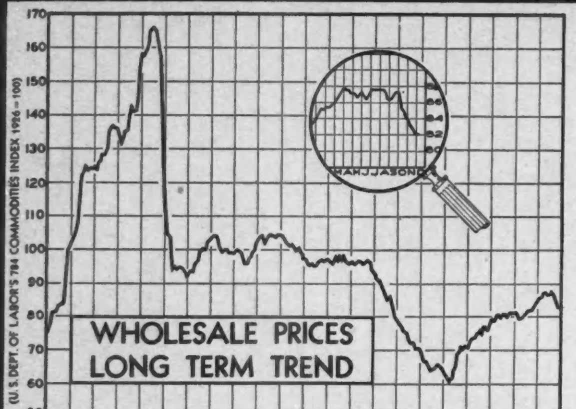
†—Millions. ★—Thousands. (a)—Estimated. (b)—Annalist Index 1928-100. (c)—Dun & Bradstreet's. (d)—Nat. Ind. Conf., Bd. 1923-100. (e)—Dept. of Agric., 1924-29—100. (f)—1923-25—100. (g)—Chain Store Age 1929-31—100. (h) U.S.B.L.S. 1926—100. (k)—F. W. Dodge Corp. (m)—Iron Age. (n)—1926—100. (w)—Ward's Estimate. (p)—R. L. Polk & Co.'s Estimate. (s)—Fairchild Index, 1931—100.

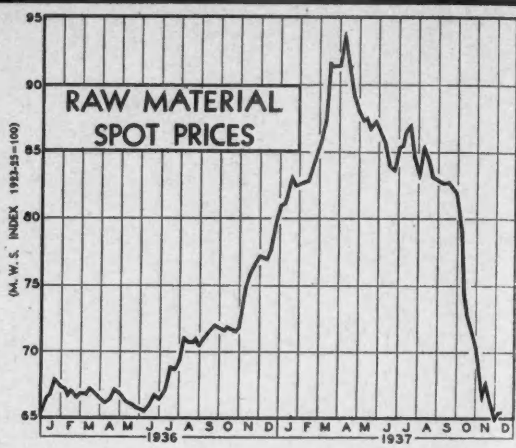
Trend of Commodities

The various commodity markets have, on the whole, acquitted themselves with credit. It is apparent in many instances, that whatever price correction may have been needed has already been registered, and raw materials, as the chart below shows, have begun to strengthen. Present indications are that substantial buying must begin within the next six weeks to care for depleted inventories in many lines.

Foreign opinion, which plays an important part in those commodities which enjoy world markets, is that current economic adjustments justify immediate betterment.

There is no evidence of distress selling. Indeed, wherever any real buying orders have appeared prices have made quick response. With the steady tone prevailing, improvement should follow.





Changes in Major Commodity Price Group for the Fortnight Ended December 4, 1937

Farm Products	73.9	down 2.0	Metals	96.3	down 0.3
Foods	80.7	down 2.5	Building material	93.0	down 0.8
Hides and leather	99.8	down 2.0	Chemicals	79.4	down 0.4
Textiles	69.8	down 0.7	Housefurnishings	92.1	no change
Fuel and lighting	78.6	no change			

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Net Change
COTTON				
Price cents per pound, closing				
December	Dec. 10	8.04	7.88	+0.16
January	Dec. 10	8.04	7.93	+0.11
Spot	Dec. 10	8.22	8.06	+0.16
(In bales 000's)				
Visible Supply, World	Dec. 10	8,951	8,768	+183
Takings, World, wk. end	Dec. 10	306	385	—79
Total Takings, season to	Dec. 10	6,601	6,295	+306
Consumption, U. S.	Oct.	526	602	—76
Exports, wk. end	Dec. 10	169	215	—46
Total Exports, season to	Dec. 10	2,777	2,567	+210
Government Crop Est. (final)	Dec.	18,746	18,243	+503
Active Spindles (000's)	Oct.	23,724	23,887	—163
WHEAT				
Price $ per bu. Chi. closing				
December	Dec. 10	.95¾	.95⅞	—0.8⅛
May	Dec. 10	.92¾	.92⅝	+0.00⅛
Spot (No. 2 Red c. i. f.) N. Y.	Dec. 10	1.10¾	1.10	+0.00¾
Exports bu. (000's) wk. end	Dec.	4,712	3,782	+930
Visible Supply bu. (000's) as of	Dec. 5	100,265	105,795	—5,530
Gov't Crop Est. bu. (000's)	Nov. 1	886,895	886,895	—0—
CORN				
Price cents per bu. Chi. closing				
December	Dec. 10	55⅞	53⅝	+2¼
May	Dec. 10	58⅝	56¾	+1⅞
July	Dec. 10	59⅛	57⅝	+1½
Visible Supply (bu. 000's) as of	Dec. 4	24,866	22,277	+2,589
Gov't Crop Est. (bu. 000's)	Nov. 1	2,651,393	2,561,936	+90,543

PRESENT POSITION AND OUTLOOK

Cotton. The final crop report estimating the biggest annual yield on record has no market significance. Prices have already discounted it. Under present conditions we must expect more cotton to go into the government loan; where, while the planter is not held for any deficit on liquidation, any surplus that price betterment might afford is subject to deduction for storage and insurance charges.

* * *

Wheat possibilities in the Southern Hemisphere slowed the market, but with our own grain now moving out at higher volume than at any time since 1929, it happens that we will dominate the export situation and prices should do better.

* * *

Corn cribs were swept clean when husking time came this fall. It will take plenty of our big crop just to fill them. There are more cattle and hogs through which corn may be marketed at better levels.

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Net Change
COPPER				
Price cents per lb.				
Domestic	Dec. 10	10½	10½	—0—
Export c. i. f.	Dec. 10	10	10¼	¼
Refined Prod., Domestic (tons)	Oct.	86,811	90,982	—4,171
Refined Del., Domestic (tons)	Oct.	44,592	66,229	—21,637
Refined Stocks, Domestic (tons)	Oct.	181,842	144,321	+37,521
Refined Prod., World (tons)	Oct.	196,359	197,320	—961
Refined Del., World (tons)	Oct.	158,783	183,900	—25,117
Refined Stocks, World (tons)	Oct. 31	382,314	344,730	+37,584
TIN				
Price cents per lb., N. Y.	Dec. 10	45.0	44.15	+0.85
World Prod. (long tons) 12 mos. ending	Oct.	196,960	180,436	+16,524
U. S. Cons. Primary (long tons) 10 mos. ending	Oct.	65,040	59,940	+5,100
Visible Supply (long tons) as of	Nov. 30	19,129	19,458	—329
LEAD				
Price cents per lb., N. Y.	Dec. 10	5.0	5.0	—0—
U. S. Production (tons)	Oct.	49,197	41,046	+8,151
U. S. Shipments (tons)	Oct.	39,292	53,850	—4,558
Stocks (tons) U. S., as of	Oct. 31	100,646	90,742	+9,904
ZINC				
Price cents per lb., N. Y.	Dec. 10	5.35	5.35	—0—
U. S. Production (tons)	Nov.	49,388	52,645	—3,257
U. S. Shipments (tons)	Nov.	32,221	40,345	—8,124
Stocks (tons) U. S., as of	Nov. 30	42,894	25,817	+17,167
SILK				
Price $ per lb. Japan xx crack	Dec. 10	1.50	1.50½	—0.00½
Imports pounds (bales)	Oct.	32,879	36,146	—3,267
American Mill Takings (bales)	Oct.	36,002	36,372	—370
Am. Mill Takings (bales) 12 mos. ending	Oct.	453,596	460,687	—6,731
Total Visible Supply (bales) as of	Oct. 31	151,834	152,857	—1,023
RAYON (Yarn)				
Price cents per lb.	Dec. 10	63.0	63.0	—0—
Deliveries (a)	Oct.	366	560	—194
All Rayon—Month's Supply	Nov. 1	1.1	.05	+0.6
WOOL				
Price cents per lb	Dec. 10	85.0	80.9	+4.1
HIDES				
Price cents per lb	Dec. 10	10½	9.95	+0.55
Visible Stocks (000's) (b) as of	Oct. 1	14,744	14,827	—83
Consumption (000's) (b)	Oct.	1,780	1,991	—211
RUBBER				
Price cents per lb	Dec. 10	15.48	15.32	+0.16
Imports (long tons)	Sept.	57,024	49,820	+7,204
Consumption (long tons)	Sept.	43,893	41,456	+2,437
Stocks U. S. (long tons) as of	Oct. 1	190,000	179,590	+10,410
Stocks, World (long tons) as of	Oct. 1	469,768	457,462	+12,306
Stocks, at 100† (long tons) as of	Oct. 1	140,000	140,000	—0—
For U. S. (long tons)	Oct. 1	83,288	80,439	+2,849
Shipments, World (long tons)	Sept.	106,000	102,000	+4,000
COFFEE				
Price cents per lb. (c)				
December Delivery	Dec. 10	4.75	4.88	—0.13
Imports (bags 000's)	Nov.	1,036	847	+189
U. S. Visible Supply (bags 000's)	Dec. 1	1,076	1,391	—315
SUGAR				
Price cents per lb.				
Domestic No. 3	Dec. 10	2.27	2.37	—0.10
January	Dec. 10	2.33	2.36	—0.03
March	Dec. 10	2.31	2.35	—0.04
Raw Sugar				
Cuban c. i. f.	Dec. 10	2.30	2.45	—0.15
Duty free delivered	Dec. 10	3.20	3.35	—0.15
Refined (Immediate Shipment)	Dec. 10	4.85	4.85	—0—

(a)—Expressed in % (1923-25—100). (b)—All Cattle hides and leathers. (c)—Wholesale Rio No.7 N. Y.

PRESENT POSITION AND OUTLOOK

Copper export prices show that buyers like to come into an advancing market, are attracted by strength and activity. Domestic sales for November ran to about 30 million pounds. Stocks are not burdensome, and consumption prospects brighter with the outlook for building, utilities and armaments.

* * *

Tin has been markedly stronger. Tin plate operations are at a higher ratio than steel operations generally. The price of $5.35 a case is to be continued until September 30, next. The Tin Committee has cut quotas from 110% to 70% for first quarter '38.

* * *

Lead sales have been comparatively light at prices unchanged. Stocks increased somewhat during November. If the move in housing should gather headway lead would improve.

* * *

Zinc mine operators abroad are complaining of high costs; here, the market has been featureless, not much price change expected.

* * *

Rayon manufacturers are making a strenuous effort to limit the production of woven broad goods. In some plants operations are at only 25% to 30% of this year's peak.

* * *

Imports of raw **silk** are more than mill takings with a resultant increase in stocks in storage. There are some signs of recovery in raw silk, but every trade with Tokio is also a trade in yen.

* * *

Wool tops have shown a somewhat better market, active and higher. Our consumption of raw wool, January to October, inclusive, was 327,302,000 pounds.

* * *

Hides appear to have touched a low and are improving.

* * *

Rubber quotas which had stood at 90% of the basic allotments, have been cut to 70%. This is in effect a 22% reduction in the allowable exports. Tire builders were buyers in Singapore last week. League of Nations study advocates buffer pools in Rubber and Tin as "regulated" items.

* * *

Coffee is moving. Brazil's exports for November—1,730,744 bags—broke all records for the month. It is rather expected that when the figures for the year are made up they will top any recent year. Exporters and importers are about as largely interested in exchange rates as in coffee prices.

* * *

The amount of distribution of direct consumption **sugar** required by consumers for 1938 has been fixed by the A.A.A. at 6,965,170 tons, raw. This figure is the basis for the various quotas. Total deliveries during the first ten months of the year were 5,754,497 tons. Statistically sugar is in a good position but in a waiting attitude until quotas are fixed. The trade looks for prices to work higher.

Money and Banking

	Date	Latest Week	Previous Week	Year Ago
INTEREST RATES				
Time Money (60-90 days)	Dec. 11	1¼%	1¼%	1¼%
Prime Commercial Paper	Dec. 11	1%	1%	¾@1%
Call Money	Dec. 11	1%	1%	1%
Re-discount Rate, N. Y.	Dec. 11	1%	1%	1½%
CREDIT (millions of $)				
Bank Clearings (outside N. Y.)	Nov. 27	$2,121	$2,822	$2,323
Cumulative year's total	Nov. 27	301,820	......	292,430
Bank Clearings, N. Y.	Nov. 27	2,682	3,340	3,496
Cumulative year's total	Nov. 27	169,692	......	172,676
F. R. Member Banks				
Loans and Investments	Nov. 24	21,432	21,530	22,401
Commercial, Agr., Ind. Loans	Nov. 24	4,683	4,738	......
Brokers Loans	Nov. 24	881	865	1,180
Invest. in U. S. Govts	Nov. 24	7,966	7,974	9,198
Invest. in Govt. Gtd. Securities	Nov. 24	1,120	1,125	1,247
Other Securities	Nov. 24	2,867	2,899	3,197
Demand Deposits	Nov. 24	14,665	14,613	13,866
Time Deposits	Nov. 24	5,273	5,296	5,034
New York City Member Banks				
Total Loans and Invest.	Dec. 8	7,927	7,819	8,745
Comm'l Ind. and Agr. Loans	Dec 8	1,801	1,810	......
Invest. U. S. Govts. dir. & gtd	Dec. 8	3,413	3,365	4,176
Demand Deposits	Dec. 8	5,917	5,802	6,387
Time Deposits	Dec. 8	662	722	605
Federal Reserve Banks				
Member Bank Reserve Balance	Dec. 8	6,836	6,906	6,731
Money in Circulation	Dec. 8	6,591	6,568	6,497
Gold Stock	Dec. 8	12,764	12,774	11,206
Treasury Currency	Dec. 8	2,623	2,621	2,525
Treasury Cash	Dec. 8	3,622	3,627	2,372
Excess Reserves	Dec. 8	1,050	1,120	2,160

NEW FINANCING (millions of $)		Latest Month	Last Month	Year Ago
Corporate	Nov.	6.0	155.3	197.8
New Capital	Nov.	5.5	90.9	49.8
Refunding	Nov.	0.5	64.4	148.0
Government	Nov.	250.0	200.3	200.4
Refunding	Nov.	250.0	200.3	200.4
Addition to Debt	Nov.	None	None	None

COMMENT

Any hardening in **money rates** is unlikely for some time. Strong support is given to this conclusion by the rising tide of "excess reserves" and the low ebb to which demand for new capital has fallen.

* * *

Bank clearings have shown no deviation from their recent trend and in reflection of generally lessened business volume have recently been running about 25 per cent behind last year, with the decline in New York being slightly more than the average. The salient feature in the most recent statement of **member banks** is a decline of $10,000,000 in the inactive gold fund, being accounted for by shipments of gold to France. That a substantially larger amount of gold, however, was earmarked is indicated by a decline of some $46,500,000 in "foreign bank deposits" and an increase of $32,845,000 in "other deposits." Actual reserves of member banks dropped $70,000,000 and surplus reserves declined by the same amount, reflecting principally Treasury deposits and a $23,000,000 rise in currency circulation. Owing chiefly to an increase of $70,000,000 in brokers loans, due in part to Treasury financing, and another sizable increase in holdings of Government bonds, **New York City member banks** showed an increase of $108,000,000 in earnings assets, the largest gain since last June. Loans to commerce, industry and agriculture, on the other hand, dropped $9,000,000, which, however, was the smallest decline in several weeks. There is every indication that the somewhat sub-normal holiday currency needs will be handled readily.

New **corporate financing** n December should show an appreciable gain over November, but is likely to be no more than 10 per cent of the monthly volume a year ago. This condition is likely to continue for several months before new financing is resumed on a large scale.

POSITION OF FOREIGN BANKS

	Dec. 8, 1937	Dec. 9, 1936
BANK OF ENGLAND		
Circulation	£492,831,000	£458,852,000
Public Deposits	11,742,000	17,491,000
Other Deposits	142,968,000	125,869,000
Bankers Accounts	106,310,000	86,985,000
Other Accounts	36,658,000	38,884,000
Government Securities	87,243,000	81,718,000
Other Securities	30,596,000	29,071,000
Discount and Advances	9,641,000	8,146,000
Securities	20,955,000	20,925,000
Reserve Notes & Coin	54,748,000	50,463,000
Coin and Bullion	327,579,000	249,315,000
BANK OF FRANCE	Dec. 3, 1937	Dec. 4, 1936
Gold Holdings	Fr.58,932,000,000	Fr.60,358,000,000
Credit Balances Abroad	16,000,000	5,000,000
French Commercial Bills Disc.	8,287,000,000	6,854,000,000
Bills Bought Abroad	2,000,000	1,442,000,000
Advance Against Securities	3,860,000,000	3,638,000,000
Note Circulation	91,933,000,000	90,130,000,000
Credit Current Accounts	18,454,000,000	10,729,000,000
Temp. Advs. to State	26,918,000,000	12,298,000,000
Gold on Hand to Sight Liabilities	53.39%	61.59%

COMMENT

The most recent statement of the Bank of England discloses a decline in the ratio of reserves to public and private deposits to 35.3% from 40.2% the previous week. An increase of £7,154,000 in the note issue was reported, and also an increase of £8,420,000 in government securities. Recent gold holdings of £327,578,548 compared with the record high of £328,144,903 last October.

* * *

Official announcement that France will repay the £40,000,000 sterling loan has had a very favorable psychological effect, a condition which augurs well for the success of the proposed Fr.3,500,000,000 nine-year 5% loan. Latest statement of the Bank of France reveals an increase of Fr.1,803,000,000 in note circulation; deposits were off Fr.2,124,000,000

POSITION OF FOREIGN BANKS—Continued

GERMAN REICHSBANK	Dec. 7, 1937	Dec. 7, 1936
Gold and Bullion	Rm.70,500,000	Rm.66,400,000
Of Which Deposits Abroad	20,333,000	28,272,000
Reserve in Foreign Currency	5,569,000	5,500,000
Bills of Exchange & Checks	5,361,200,000	4,695,400,000
Investments	689,983,000	521,899,000
Other Assets	736,979,000	661,614,000
Notes in Circulation	5,074,600,000	4,562,700,000
Other Daily Matured Obligations	703,254,000	671,354,000
Other Liabilities	324,985,000	287,411,000
Proportion of Gold & Foreign Currency to Note Circulation	1.49%	1.58%

The latest Reichsbank statement shows an increase of 67,000 marks in gold coin and bullion, while reserves in foreign currencies dropped 172,000 marks. Circulation increased 121,000,000 marks. The largest decline was shown in bills of exchange and checks which were off 185,203,000 marks. The banks' rediscount rate continues unchanged at 4%.

* * *

BANK OF CANADA	Dec. 8, 1937	Dec. 9, 1936
Reserve Gold, Coin & Bullion	$179,704,000	$179,369,000
Silver Bullion	2,737,000	2,012,000
Reserve in Sterl. & U. S. Dollars	22,428,000	19,249,000
Subsidiary Coin	104 000	186,000
Dom. & Prov. Govt. Short Term Securities	81,535,000	60,504,000
Other Dom. & Prov. Securities	96,134,000	99,490,000
Other Securities	12,197,000	....
Note Circulation	158,214,000	125,316,000
Deposits—Dom. Govt.	26,233,000	29,408,000
Chartered Banks	197,367,000	193,773,000
Res. to Note & Dep. Liabilities	53.36%	57.27%

Principal changes in the most recent condition statement of the Bank of Canada include an increase of $2,000,000 in notes in circulation, a decline of about the same amount in deposits of the Dominion government and a decline of $3,000,000 in deposits of chartered banks. For the first time since late October, Canada recently arranged for a shipment of $1,894,000 in gold to the United States, an operation made profitable by the recent decline in the price of gold in London.

FOREIGN EXCHANGE IN DOLLAR TERMS

Quotations in cents and decimals of a cent except pound sterling which is in dollars and cents.

Country and Par	Demand Dec. 9	Demand Year Ago	Cables Dec. 9	Cables Year Ago
Great Britain ($8.2397 a sov.)	4.99¾	4.90⅜	4.99¾	4.90⅜
Austria (23 82c a schilling)	18.92	18.72	18.92	18.72
Belgium (16.9502c a belga)	17.00	16 91¾	17.00	16.91¾
Czechoslovakia (3.51c a crown)	3.51¾	3.53½	3.51¾	3.53½
Denmark (45.374c a krone)	22.31	21.89	22.31	21.89
Finland (4.264c a finmark)	2.21½	2.18⅝	2.21½	2.18⅝
France (par not definite)	3.39⅞	4.66½	3.39⅞	4.66½
Germany (40.33c a mark)**	40.30½	40 24	40.30½	40.24
Germany, registered (coml.)	21.40	20.25	21.40	20.25
Germany (travel mark)	25.70	21.50	25 70	21.50
Greece (2.197c a drachma)	0.91¾	0.90	0.91⅞	0.91½
Holland (par not definite)	55.62	54.46	55.62	54.46
Italy (5.2634c a lira)§	5.26½	5.26½	5.26½	5.26½
Norway (45.374c a krone)	25.11	24.64	25.11	24.64
Poland (18.994c a zloty)	18.98	18.90	18.98	18.90
Spain (Burgos peseta)†	10.00	.....	10.00	.....
Spain (Barcelona peseta)†	6.10	.....	6.10	.....
Sweden (45.374c a krona)	25.75	25.29	25.75	25.29
Switzerland (par not definite)	23.13	22.98¾	23.13	22.98¾
Yugoslavia (2.981c a dinar)	2.34½	2.33	2.34½	2.33
Shanghai dollars (unsettled)	29.60	29.80	29.60	29.80
Hongkong dollars (unsettled)	31.30	30.63	31.30	30.63
India (61.798c a rupee)	37.74	37.10	37.74	37.10
Japan (84 39c a yen)	29.11	28.56	29.11	28.56
Sts. Settlements (96.139c a dollar)	58.75	57.62½	58.75	57.62½
Argentina (71.87c a paper peso) ¶	29.45	30.15	29.45	30.15
Argentina (71.87c a paper peso)**	33.33	32 70	33.33	32.70
Brazil (20.25c a paper milreis) ¶	5.55	6.00	5.55	6.00
Chile (20.599c a gold peso)†	5 19	5.19	5.19	5.19
Colombia ($1.645 a gold peso)**	53.55	57.39	53.55	57.39
Colombia ($1.645 a gold peso) ¶	50.00	56.50	50.00	56.50
Mexico, peso (unsettled)†	27.80	27.85	27.80	27.85
Peru (47.409c a sol)†	24.37½	25.25	24.37½	25.25
Uruguay ($1.751 a gold peso) ¶	54.00	57.00	54.00	57.00
Uruguay ($1.751 a gold peso)**†	80.00	78.35	80.00	78.35
Venezuela (32.67c a bolivar) ¶	29.75	25.62½	29.75	25.62½

†—Nominal quotations. ¶—Free rate. **—Official rate.

COMMENT

The dollar has been firm against other currencies over the past few weeks. **Sterling** cables which a fortnight ago were quoted $5 are now $4.99¾. The French **franc,** two weeks ago at 3.40⅜ is now 3.39¾. The firmness of the dollar from the standpoint of quotations, however, tends to hide the fact that this country has lost considerable gold—more than is apparent from the decrease in the sterilized gold fund. The metal is being released from the stabilization fund, although the exact quantities are not known, for there is no direct information. It has been estimated, however, that over the past two weeks this country has exported some $40,000,000 in gold, only $10,000,000 of this being from the sterilized gold fund.

* * *

Momentary political and fiscal quiet in France has found favorable reflection in French exchange and the firmness displayed by the **franc.** The initial payment against the £40,000,000 sterling credit was met without effect upon the foreign exchange market. Looking ahead, however, the effect of higher prices upon both the external and internal economy of France may prove detrimental.

* * *

While gold is moving out of the United States toward the West, gold is coming into the United States from the East—specifically **Japan.** Recently $7,300,000 in gold was engaged in gold for shipment to New York, probably to pay for war materials.

* * *

South American Exchanges have been relatively quiet over the past fortnight. The Government of **Brazil** has abolished the obligatory sale to the Bank of Brazil of 35% of export bills at the official rate. Coincidentally, the official rate was also abolished.

Security Statistics

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

1936 Indexes High	1936 Indexes Low	No. of Issues	(1925 Close—100)	1937 Indexes High	Low	Nov. 27	Dec. 4	Dec. 11
106.0	78.4	330	COMBINED AVERAGE	122.0	59.1	62.0	62.1	60.4
204.6	113.4	5	Agricultural Implements	253.3	119.5	129.0	132.6	129.9
68.6	39.9	6	Amusements	72.6	39.1	42.5	41.3	39.1x
143.5	116.8	16	Auto Accessories	146.6	63.0	66.4	64.3	63.0x
24.9	17.7	13	Automobiles	30.1	10.7	11.7	11.2	10.7x
156.8	104.3	8	Aviation (1927 Cl.—100)	178.0	73.4	82.2	82.0	88.4
23.8	12.6	3	Baking (1926 Cl.—100)	28.5	10.1	11.1	11.0	10.4
500.9	318.6	2	Bots. & Cks. ('32 Cl.—100)	547.0	257.4	288.2	303.2	290.3
262.0	202.8	3	Business Machines	308.6	148.0	156.6	154.2	149.3
287.4	216.2	2	Cans	242.8	152.7	165.5	159.6	152.7x
327.1	187.5	10	Chemicals	247.7	132.6	142.7	145.0	141.6
73.8	42.8	15	Construction	88.3	33.8	41.5	40.5	38.7
166.4	87.9	10	Copper & Brass	217.3	81.0	87.6	91.2	86.6
47.8	39.3	2	Dairy Products	43.0	25.8	26.7	26.4	25.8x
41.8	23.3	10	Department Stores	42.7	17.6	19.0	18.9	17.6x
100.1	72.8	8	Drugs & Toilet Articles	108.8	53.7	57.4	55.7	53.7x
441.1	227.2	2	Finance Companies	388.4	210.5	216.9	221.4	210.5x
70.1	60.9	7	Food Brands	71.9	40.2	41.3	41.4	40.3
56.6	41.4	4	Food Stores	42.7	28.1	30.1	29.7	28.1x
103.2	65.7	3	Furniture & Floor Covering	122.3	54.6	58.9	57.1	55.7
1296.9	1116.0	4	Gold & Platinum Mining	1253.6	831.0	967.6	983.7	943.6
51.0	36.6	5	Investment Trusts	58.8	27.3	28.7	28.2	27.3x
341.6	265.2	3	Liquor (1932 Cl.—100)	317.8	185.0	193.8	201.9	181.0
189.5	134.7	9	Machinery	209.8	101.8	108.1	111.0	109.2
107.4	61.3	2	Mail Order	104.3	58.1	59.3	59.8	58.7
83.9	59.4	4	Meat Packing	109.6	51.5	54.7	53.7	51.8
232.5	159.5	14	Metal Mining & Smelting	334.1	142.2	155.4	163.8	160.2
23.4	6.0	2	Paper	26.5	8.8	10.0	10.3	10.1
142.8	97.2	24	Petroleum & Natural Gas	158.8	91.2	95.4	97.2	94.7
96.6	67.2	18	Public Utilities	114.9	50.5	65.8	62.3	59.9
35.4	26.7	4	Radio (1927 Cl.—100)	31.7	15.6	16.6	16.3	15.6x
100.4	52.5	9	Railroad Equipment	112.9	37.7	40.4	43.6	46.2
39.8	37.3	24	Railroads	48.6	18.4	19.2	20.0	19.8
27.1	13.4	3	Realty	28.1	7.7	10.2	9.7	9.2
87.6	62.7	4	Shipbuilding	87.6	34.9	38.7	39.0	39.8
124.5	85.2	12	Steel & Iron	165.6	72.0	77.0	80.0	77.2
45.3	29.8	6	Sugar	45.3	23.6	24.9	24.8	24.4
175.6	142.5	2	Sulphur	171.2	119.0	126.0	123.4	124.8
97.4	76.6	3	Telephone & Telegraph	85.3	45.9	48.3	48.7	48.0
83.5	62.0	8	Textiles	91.8	37.2	40.9	39.6	37.2x
20.9	10.6	4	Tires & Rubber	29.2	12.2	12.7	12.9	12.5
100.2	87.2	4	Tobacco	99.4	68.3	72.9	71.7	68.3x
76.2	61.0	5	Traction	71.9	21.0	28.1	27.7	23.2
369.2	232.5	4	Variety Stores	346.8	173.8	179.5	181.2	174.5

x—New LOW this year.

DAILY INDEXES OF SECURITIES

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, Nov. 29	73.16	121.58	31.54	90.06	87.92	1,145,910
Tuesday, Nov. 30	73.66	123.48	32.25	91.83	88.60	1,152,300
Wednesday, Dec. 1	73.64	122.11	31.56	90.70	89.04	695,570
Thursday, Dec. 2	73.74	125.14	31.75	91.20	87.66	937,180
Friday, Dec. 3	74.33	127.55	32.35	93.93	91.04	1,556,980
Saturday, Dec. 4	74.55	127.79	32.62	93.46	92.13	566,970
Monday, Dec. 6	74.42	126.21	31.91	93.17	91.34	836,760
Tuesday, Dec. 7	74.27	128.31	32.01	92.75	90.36	965,250
Wednesday, Dec. 8	74.66	129.80	32.64	94.40	92.47	1,520,330
Thursday, Dec. 9	74.70	128.15	32.35	93.90	92.18	1,082,318
Friday, Dec. 10	74.54	126.72	32.17	92.48	90.56	1,075,260
Saturday, Dec. 11	74.59	126.83	32.36	91.51	90.75	389,970

STOCK MARKET VOLUME

Week Ended Dec. 11	Week Ended Dec. 4	Week Ended Nov. 27
5,869,888	6,054,910	6,476,340
Total Transactions Year to Dec. 11	Same Date 1936	Same Date 1936
390,677,503	468,645,262	360,104,891

COMMENTS

Further strength in the stock market since our last issue, though highly selective as to group movements, has been characterized by larger volume and breadth on advances than on declines and by resumption of leadership by the higher priced issues which, for several weeks prior to establishment of the triple bottom, had been weaker than the general market. Viewed from these purely technical aspects it thus appears that the market has displayed the orthodox signals which often herald at least a temporary end to declining prices.

* * *

Insofar as the stock market may be regarded as a barometer of future business developments (but recalling that the market is also at times a bad prophet) it is rather encouraging to note that the best recovery of the past fortnight has been in the capital goods groups—construction, airplane manufacture, shipbuilding, machinery, steel and non-ferrous metals—representing industries which ushered in the present business depression and which have thus far suffered most from its effects. Of course this may indicate that the depression is nearly ended, or it may be merely in response to a good-sized shipbuilding order just placed by the Government, or it may be just a technical rebound from an oversold market, or it may point to nothing more than the moderate business recovery which most trained observers look for early next year. These questions are discussed more authoritatively elsewhere in this issue.

* * *

In spite of recent strength in any Combined Average of the 330 most active common stocks during the past fortnight, there are quite a few groups which have participated rather feebly in the advance. In fact 4 groups—Cans, Dairy Products, Textiles and Tobacco—established new lows for the year during the week ended Dec. 4. The Can makers are burdened with large inventories, Dairy companies are being squeezed between rising costs and consumer resistance to higher prices, Textiles are suffering from a dearth of new orders, and Tobacco profits are being eroded by higher taxes and raw material costs.

* * *

Other groups which have lagged behind the market recently, because of poor nearby business prospects in their respective fields, include Automobiles and Accessories, Amusements (owing to heavy write-offs on costly film plays), Department Stores, Drugs and Toilet Articles, Finance Companies, Food, Radio, Telephone and Telegraph (partly owing to the Government's anti-trust suit against Western Union), Tires, and the chronically weak New York Traction stocks. Public Utilities have lost their early pep upon realizing that he Administration may after all be gaining its ends under the guize of a proffered truce. Railroad Equipments have spurted, perhaps from an over-enthused estimate of new business to result from the coming railroad rate increase.

t since
e as to
zed by
es than
dership
several
triple
general
chnical
has dis-
often
clining

garded
velop-
also at
uraging
ast fort-
oups—
obuild-
etals—
in the
h have
s. Of
ssion is
sponse
placed
a tech-
et, or it
oderate
observ-
uestions
ewhere

mbined
ommon
e quite
l rather
—Cans,
co—es-
ing the
ers are
y com-
n rising
r prices,
of new
eroded

behind
nearby
fields,
essories,
offs on
, Drugs
panies,
legraph
nti-trust
and the
stocks.
ep upon
after all
f a prof-
e spurt-
imate of
railroad

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

B. F. Goodrich Co.

I went into B. F. Goodrich rather heavily last year and at current quotations I am back even again. What do you think of my prospects? Don't you think the stock is very much undervalued at current prices?—L. O., Buffalo, N. Y.

Latest earnings report of B. F. Goodrich Co. is for the six months ended June 30, 1937, when net income was equal, after preferred requirements, to $1.90 a share on the common stock, against $1.30 a year before. Sales volume of the company during that period was said to have been the largest in its history. In addition to benefitting from the improvement which occurred in automobile tire sales, the company enjoyed an improved demand for its numerous industrial and other specialty items. More recent developments have, of course, been of an adverse nature, particularly the decline which has occurred in rubber and cotton, which items normally bulk high in inventory. In addition, the slackening which has occurred in the rate of industrial activity generally, suggests a declining demand for mechanical rubber goods, while increasing unemployment probably has had a restrictive influence upon replacement and original equipment tire sales. The company has made excellent progress, however, in developing new products and improving the quality of old ones and from a competitive standpoint, its position is regarded as strong. While the decline in the market price of the stock suggests its speculative calibre, the indicated earning power of the company under more normal conditions, coupled with the satisfactory financial condition revealed in the latest balance sheet suggests the advisability of maintaining long positions at present deflated levels.

Simmons Co.

Early last August, Simmons Co. was strongly recommended to me as a speculation and I purchased 100 shares. I have been told that the company's prospects are good; but in view of the uncertain business outlook, I would like to have your advice.—M. D., Washington, D. C.

Specializing in the manufacture of nationally advertised mattresses and box springs, Simmons Co. occupies an outstanding position in its field and has shown remarkable recuperative power under more normal business conditions generally. Following heavy losses for almost five years, beginning with 1930, the company recorded a profit in 1935 equivalent to $1.14 a share and in 1936 a further sharp gain was shown with the equivalent of $3.53 a share being reported on the stock. In the first half of the current year, net income of $2,119,181 equal to $1.85 a share, compared with $1,413,370 or $1.25 a share in the like 1936 interval. It is understood, however, that more recent results have been less favorable, and it is felt that earnings for the full year may fall below those of last. In appraising the organization's present position, however, it is important to consider the improvement which has occurred in its financial position. Early this year, the company marketed a $10,000,000 issue of debenture 4's due in 1952 and used the proceeds therefrom to liquidate higher interest bearing funded debt then outstanding, as well as to pay off bank loans. This operation tended to lower proportionate fixed interest requirements, while working capital position was also strengthened. Including the 50 cent per share dividend payable December 22, 1937, indicated distributions for the year total $2.25 a share, against $3.00 paid in 1936. Prospects at the present time are, of course, beclouded by less liberal public spending, but in the event that the Federal Housing program proves successful, the company might reasonably expect a sizable improvement in volume sales. Believing that present prices for the stock largely

(Please turn to page 317)

When *Quick* Service Is Required, Send Us a Telegram Prepaid and Instruct Us to Answer Collect.

New York Stock Exchange

Rails

	1935		1936		1937		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	12/9/37	Share
A								
Atchison	60	35¾	88½	59	94¾	32⅞	41	‡2.00
Atlantic Coast Line	37¼	19½	49	21⅝	55½	18	27	‡1.50
B								
Baltimore & Ohio	18	7½	26½	15⅞	40½	8⅛	12⅜	....
Bangor & Aroostook	49½	36⅛	49½	39	45	30	34	2.50
C								
Canadian Pacific	13¾	8⅝	16	10⅞	17½	6⅞	8	....
Chesapeake & Ohio	53¼	37⅛	77¾	51	68⅞	31	38½	*3.00
Chicago Gt. Western Pfd	5⅝	1⅝	14⅝	4	18¼	3	5⅞	....
C. M. & St. Paul & Pacific	3	¼	2⅞	1½	3¼	⅞	1⅛	....
C. M. & St. Paul & Pacific Pfd	4¾	¾	5⅞	2⅞	7¼	1⅛	2⅛	....
Chicago & North Western	5⅝	1⅜	4⅞	2½	6⅜	1	1¾	....
D								
Delaware & Hudson	43½	23½	54¾	36¾	58⅜	13	17½	....
Delaware, Lack. & West	19⅛	11	23⅛	14⅞	24½	5	8½	....
E								
Erie R. R	14	7⅛	18¼	11	23⅝	4¼	8	....
G								
Great Northern Pfd	35⅛	9⅝	46⅜	32¼	56¾	23½	26¼	‡2.00
I								
Illinois Central	22¼	9½	29½	18⅝	38	8	11⅞	....
K								
Kansas City Southern	14½	3¾	26	13	29	5	9⅞	....
L								
Lehigh Valley	11½	5	22	8½	24⅝	4¼	7⅜	....
Louisville & Nashville	64¾	34	102⅜	57½	99	48½	52⅝	‡6.00
M								
Mo., Kansas & Texas	6⅜	2½	9⅝	5½	9¾	2	3⅜	....
Mo., Kansas & Texas Pfd., A	16¼	5⅞	33⅜	14½	34⅝	5⅛	11	....
Missouri Pacific	3	1	4	2⅛	6¼	1⅝	1¾	....
N								
New York Central	29¾	12¼	49⅝	27¾	55¼	15⅛	19½	....
N. Y., Chic. & St. Louis	19	6	53⅛	17¾	72	14	23	....
N. Y., N. H. & Hartford	8½	2⅝	6⅛	3	9¾	2	2⅝	....
Norfolk & Western	218	158	310½	210	272	180	189½	16.00
Northern Pacific	25¼	13⅛	36¾	23⅞	36⅝	9⅞	13⅛	....
P								
Pennsylvania	32½	17¼	45	28¼	50¼	20	23	‡1.25
R								
Reading	43⅛	29⅞	50¾	35½	47	18½	22	2.00
S								
St. Louis-San Fran	2	¾	3⅝	1½	4¾	1	1⅜	....
Southern Pacific	25½	12¾	47⅞	23½	65⅜	17	22¾	....
Southern Railway	16½	5½	26½	12¾	43⅜	9	14	....
T								
Texas & Pacific	28½	14	49	28	54¼	15⅝	22	....
U								
Union Pacific	111½	82½	149¾	108½	148¾	80	87⅞	6.00
W								
Western Maryland	10⅛	5½	12⅛	8⅛	11¾	2⅝	4⅝	....
Western Pacific	3⅜	1⅛	4	1⅞	4¾	1	1¼	....

Industrials and Miscellaneous

	1935		1936		1937		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	12/9/37	Share
A								
Adams-Millis	37¼	28	35¾	17⅞	28⅝	17½	20	2.00
Air Reduction	.....	.....	86½	58	80¼	44½	52¼	*1.00
Alaska Juneau	20⅛	13¼	17½	13	15¾	8	11⅜	* .60
Allegheny Steel	32	21	40⅜	26⅞	45⅝	13	18½	1.60
Allied Chemical & Dye	173	125	245	157	258½	145	164	*6.00
Allied Stores	9	3⅛	20⅛	6¾	21⅞	6⅛	8¼	* .20
Allis Chalmers Mfg	33⅞	12	81	35⅜	83½	34	46⅝	‡3.50
Alpha Portland Cement	22¾	14	34½	19¾	39¾	8½	12⅞	1.00
Amerada	80	48½	125½	75	114⅞	51½	56⅝	2.00
American Bank Note	47⅜	13½	55½	36	41⅜	10	13¾	‡1.00
Amer. Brake Shoe & Fdy	42½	21	70¼	40	80¾	28	41	‡2.00
American Can	149⅝	110	137½	110	121	79½	80	4.00
Amer. Car & Fdy	33⅞	10	60½	30	71	15¼	26½	‡ .25
American & Foreign Power	9¼	2	9¾	6½	13¾	2½	4½	....
Amer. Power & Light	9⅝	1½	14⅜	7½	16½	3	7¼	....
Amer. Radiator & S. S	25⅛	10½	27⅜	18¾	29½	9¼	14¼	.60
Amer. Rolling Mill	32⅜	15¾	37	23¾	45¼	15½	22⅛	‡2.00
Amer. Smelting & Refining	64⅝	31⅝	103	56¾	105¾	41	50	‡5.00
Amer. Steel Foundries	25¼	12	64	20½	73¼	22½	34	2.00
Amer. Sugar Refining	70½	50⅛	63⅝	48¼	56⅞	26	26	2.00
Amer. Tel. & Tel	160½	98⅞	190⅛	149½	187	140	149¾	9.00
Amer. Tob. B	107	74¾	104	88½	99⅞	67½	67⅝	5.00
Amer. Water Works & Elec	22¾	7⅛	27¾	19⅛	29½	8	13⅞	.80
Amer. Woolen Pfd	68¾	35½	70¾	52¾	79	26½	28	3.00a
Anaconda Copper Mining	30	8	55⅜	28	69½	24½	32⅜	‡1.75
Armour Co. of Ill	6⅛	3¼	7⅜	4⅝	13¾	4⅝	6⅜	‡ .70
Atlantic Refining	28	20½	35⅛	26⅝	37	18	20⅝	1.00
Auburn Auto	45½	15	54¼	26⅝	36¾	6¼	7⅞	....
Aviation Corp. Del	5¼	2¾	7¾	4⅝	9¼	2¼	3½	....
B								
Barber Co	22½	11¾	38½	21	43⅜	10⅛	18	‡1.00
Barnsdall Oil	14¾	5⅞	28¼	14⅛	35¼	10	14⅛	1.00
Beatrice Creamery	20⅛	14	28⅜	18	28¾	13¼	17½	*1.00
Beech-Nut Packing	95	72	112	85	114¾	90¾	96	6.00
Bendix Aviation	24½	11⅞	32⅜	21⅝	30½	8¼	13	1.00
Best & Co	57½	34	72	48	62¾	32	33½	*2.50
Bethlehem Steel	52	21⅝	77¾	45¾	105½	41	57	‡5.00

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1935 High	1935 Low	1936 High	1936 Low	1937 High	1937 Low	Last Sale 12/9/37	Div'd $ Per Share
B								
Boeing Airplane	22½	6⅛	37⅜	16⅞	49¾	16	26¾	‡ .40
Borden Co.	27¾	21	32⅜	25⅝	28	17⅛	17⅝	1.60
Borg Warner	....	....	....	....	50⅝	24¼	26¼	*2.00
Bridgeport Brass	17⅛	8½	18⅞	12⅛	23¼	7	9¾	‡ .75
Briggs Mfg	55⅜	24½	64⅞	43¼	59⅞	18	25	‡4.00
Brooklyn-Manhattan Transit	46¾	36½	58¼	40¼	53	8	10⅛	....
Bucyrus Erie	8⅞	4¼	21¾	8⅞	25¼	6½	9¼	‡ .75
Budd Mfg	9¾	3¼	15⅞	9⅛	14⅜	2¼	5½	....
Byers & Co. (A. M.)	20⅝	11⅜	29⅛	16½	33¾	6	10⅜	....
C								
Calumet & Hecla	6¾	2½	16½	6	20⅛	4	8¾	‡1.10
Canada Dry Ginger Ale	17⅞	8⅛	30¾	10⅜	38¼	9½	14½	....
Case, J. I.	111¼	45¾	186	92½	191¾	80	98	‡6.00
Caterpillar Tractor	60	36½	91	54¾	100	40	51½	*2.00
Celanese Corp	35⅜	19½	32¼	21¾	41¼	15⅝	15⅞	....
Cerro de Pasco Copper	65⅜	38⅝	74	47¾	86⅜	35¼	41½	*4.00
Chesapeake Corp	61¼	36	100	59	68⅞	31	38½	*3.00
Chrysler Corp	93⅞	31	138¾	85½	135¼	52⅛	57⅝	‡10.00
Coca-Cola Co	93	72½	134	84	170½	93¾	115½	*3.00
Columbian Carbon	101¼	67	136½	94	125¾	65	72¾	*4.00
Colum. Gas & Elec	15¾	3⅜	23⅜	14	20⅞	4⅝	9⅝	‡ .45
Commercial Credit	58	39½	84⅞	44	69¼	33½	39½	*4.00
Comm. Inv. Trust	72	56¼	91¾	55	80¼	38½	†43¾	*4.00
Commercial Solvents	23⅞	16½	24⅝	14¼	21¼	5	8	.60
Commonwealth & Southern	3	¾	5½	2¼	4⅛	1	2⅛	....
Consolidated Edison Co	34¾	15⅞	48⅜	27¼	49⅞	22	25½	2.00
Consol. Oil	12¼	6½	17¼	11½	17⅞	7	9¾	* .80
Container Corp	23⅛	22	26¼	15¾	37⅜	10¾	13¾	1.20
Continental Baking, A	11⅞	4½	35⅜	10⅜	37¾	7½	12½	....
Continental Can	99¼	62¾	87¼	63¾	69⅛	40¼	42¼	3.00
Continental Oil	35	15⅛	44⅞	28⅛	49	24	31¾	*1.00
Corn Products Refining	78⅜	60	82½	63⅝	71¼	50½	62¼	3.00
Crane Co	27⅜	7	50½	24	56½	22½	27	‡1.00
Crown Cork & Seal	48⅞	23½	91½	43⅝	100⅞	28¼	32⅜	2.00
Curtiss-Wright	4⅝	2	9¼	4	8⅜	2	3⅝	....
Curtiss-Wright, A	12¼	6¼	21⅞	10½	23¾	8⅛	13⅝	‡ .50
Cutler-Hammer	....	....	....	....	47	18¼	24¼	‡ .25
D								
Deere & Co	....	....	....	....	27	19½	25⅜	....
Distillers Corp. Seagrams	38½	13⅝	34⅝	18¼	29	10	16⅛	‡ .50
Dome Mines	44⅞	34⅛	61½	41½	51⅛	35	49½	‡4.50
Douglas Aircraft	58⅜	17½	82¼	50⅝	77¼	26½	37⅛	....
Du Pont de Nemours	146½	86⅝	84¾	133	180⅛	98	117¼	‡6.25
E								
Eastman Kodak	172¼	110½	185	156	198	144	167	*8.00
Electric Auto Lite	38¾	19⅜	47½	30¾	45½	15½	19⅛	‡2.20
Elec. Power & Light	7½	1⅛	25⅞	6⅜	26⅝	6⅛	13⅝	....
F								
Fairbanks, Morse	39½	17	71¾	34¾	71⅞	23½	29	*1.00
Firestone Tire & Rubber	25½	13⅛	36¼	24⅞	41⅜	16½	20⅞	2.00
First National Stores	58⅞	44⅜	50⅝	40	52¼	30	31⅛	2.50
Foster Wheeler	30	9⅞	45⅜	24⅛	54½	11½	19	....
Freeport Sulphur	30⅝	17¼	35⅝	23½	32¼	18	23⅛	2.00
G								
General Amer. Transpt	48½	32⅝	76	42¼	86½	31½	42½	‡3.50
General Baking	13⅜	7⅜	20	10¾	19½	5	8¼	* .60
General Electric	40⅞	20½	55	34½	64⅞	34	43⅛	‡2.20
General Foods	37⅞	30	44	33⅜	44¼	28⅛	31	2.00
General Motors	59⅜	26⅝	77	53⅞	70½	31¼	34½	‡3.75
General Railway Signal	41¼	15⅝	57	32½	65⅛	17	†22¾	1.00
Gen. Realty & Utility	3⅛	¾	4⅞	2	5¾	1	1⅞	....
General Refractories	33½	16¾	71	33¼	70¼	18	26½	2.00b
Glidden	49½	23⅜	55¼	39½	51½	20¼	27	*2.00
Goodrich Co. (B. F.)	14½	7½	35½	13⅝	50½	13	17¼	‡1.00
Goodyear Tire & Rubber	26⅞	15¾	31⅞	21⅝	47⅜	16⅛	†21⅛	‡2.50
H								
Heckers Products	22	14⅜	21⅜	12⅝	15⅞	6	6⅝	* .60
Hercules Powder	....	....	....	....	64	50	†62	.75
Houston Oil	7	1½	13⅞	6⅜	17⅝	4¾	7¼	....
Hudson Motor Car	17½	6¼	22⅝	13½	23¼	4	7⅛	‡ .25
I								
Industrial Rayon	36⅜	23½	41⅜	25⅝	47½	16	17	2.00
Inspiration Copper	8⅜	2½	24¼	6⅛	33⅛	6¼	12	....
Interborough Rapid Transit	23⅝	8¾	18⅞	10⅞	13¾	1½	4⅝	....
Inter. Business Machines	190½	149¼	194	160	189	127½	138	*6.00
Inter. Harvester	65⅝	34⅛	105½	56⅝	120	53½	70	*2.50
Inter. Nickel	47¼	22¼	66⅜	43¼	73⅜	37	43¼	*2.00
Inter. Tel. & Tel.	14	5⅝	19¼	11⅛	15⅞	4	7¼	....
J								
Johns-Manville	99½	38½	152	88	155	65½	82¾	*3.00
K								
Kennecott Copper	30⅜	13¾	63⅜	28¼	69⅜	28¼	37⅛	*2.00
L								
Lambert	28½	21⅜	26¾	15⅞	24	13	14¼	1.50
Lehman Corp	95¾	67⅛	123¾	89	43½	23⅜	26⅞	*1.00
Libbey-Owens-Ford	49¼	21½	80¼	47¼	79	34	39	4.00
Liggett & Myers Tob., B	122	93¾	116½	97¾	114	83½	87¾	*4.00
Loew's, Inc	55⅛	31¼	67⅛	43	87⅞	45½	50½	7.50
Lone Star Cement	36⅞	22⅞	61⅞	35½	75¼	32	40½	*3.00
Lorillard	26½	18½	26½	21⅛	28⅝	15⅞	16¾	1.20
M								
Mack Truck	30¾	18⅝	49¼	27⅜	62¼	18½	22½	*1.00
Macy (R. H.)	57¼	30½	65¼	40⅛	58¼	27	29⅝	*2.00
Marshall Field	14¼	6¾	25⅛	11⅛	30⅞	9¼	10	....
Masonite	....	....	64½	44	74	20	33¾	*1.00
Mathieson Alkali	33⅞	23¾	42⅜	27½	41¾	22½	24¾	‡1.65
McIntyre Porcupine	45⅝	33¾	49⅜	38⅛	42½	30⅛	37	2.00
McKeesport Tin Plate	131	90½	118½	83½	42½	19½	23¼	2.00
McKesson & Robbins	10¾	5⅞	14¾	8⅝	16¼	5⅜	7⅞	....
Mesta Machine	42⅝	24⅛	65	40⅝	72¼	33¾	42½	‡4.75
Minn. Honeywell	....	....	112	65	120	53	64	*3.00

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1935		1936		1937		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	12/9/37	Share
M								
Minn. Moline Power	7⅝	3⅞	12⅜	6½	16⅛	4¾	7⅜	....
Monsanto Chemical	94¾	55	103	79	107½	71	86	‡3.00
Mont. Ward & Co.	40⅞	21¾	68	35¾	69	30	†35½	*2.00
Murray Corp.	21⅜	4¾	22¾	14	20¾	3	6⅜	‡ .25
N								
Nash Kelvinator	....	....	....	....	24⅝	5	11	1.00
National Biscuit	36⅜	22¼	38¾	28¾	33⅜	18	18	1.60
National Cash Register	23½	13½	32⅝	21½	38⅞	13	18¼	*1.00
National Dairy Prod.	22⅛	12⅞	28¼	21	26⅛	12	14⅜	1.20
National Distillers	34½	23⅛	33⅜	25⅝	24⅝	5¼	†7⅛	....
National Lead	....	....	36½	26⅜	44	18	27	.50
National Power & Light	14⅜	4⅞	14⅞	9⅝	14¾	5	8⅝	.60
National Steel	83¾	40⅜	78	57¼	99¼	55	64¾	*2.50
N. Y. Air Brake	36½	18½	83	32½	98½	29	39¼	2.00
Newport Industries	10⅞	4⅜	40	9	41¾	10⅛	14½	‡2.00
North American	28	9	35½	23⅛	34⅞	14⅛	†22⅛	‡1.60
North Amer. Aviation	7⅜	2	14¼	6⅝	17⅜	3	†7⅞	.12½
O								
Ohio Oil	14¼	9¼	18	12⅛	22⅞	9	12¾	‡1.00
Otis Steel	17⅝	4¼	20¾	12½	24⅜	6⅛	11¼	....
P								
Pacific Gas & Electric	31⅝	13⅛	41	30¾	38	22	26	2.00
Packard Motor Car	7½	3½	13⅜	6⅞	12⅜	4	5	‡ .25
Paramount Pictures	12	8	25	7⅛	28¾	8½	12	....
Penney (J. C.)	84¾	57¼	112½	69	103¾	57½	69	*4.00
Phelps Dodge	28⅛	12¾	56¾	25⅝	59⅞	18½	27⅛	‡1.60
Phillips Petroleum	40	13¾	52⅜	38⅛	64	30⅛	40	*2.00
Procter & Gamble	53¾	42⅜	56	40¼	65½	43¼	46	*2.00
Public Service of N. J.	46¾	20⅜	50½	39	52¾	30⅜	34⅞	2.60
Pullman	52⅞	29½	69⅞	36⅞	72⅛	25½	36	*1.50
Pure Oil	17	5⅞	24⅞	16	24⅜	8¾	11½	‡ .25
R								
Radio Corp. of America	13⅜	4	14¼	9¾	12¾	4¾	7	‡ .20
Radio-Keith-Orpheum	6	1¼	10⅞	5	10⅛	2¼	4¾	....
Remington Rand	20¾	7	25	17½	29⅛	8⅛	14	‡1.30
Republic Steel	20¾	9	29⅞	16⅞	47¼	12¼	18½	....
Reynolds (R. J.) Tob. Cl. B	58⅝	43⅛	60½	50	58	40¼	41½	‡3.60
S								
Safeway Stores	46	31⅝	49⅝	27	46	21	22	*2.00
Schenley Distillers	56¼	22	55⅞	37¾	51¾	24¼	29¾	3.00
Sears, Roebuck	69⅞	31	101½	59⅝	98⅝	49¾	58⅛	3.00
Shattuck (F. G.)	12⅞	7¼	19¾	11⅛	17⅝	6½	8	* .60
Shell Union Oil	16½	5½	28¼	14¾	34¾	14⅞	17⅛	‡1.00
Socony-Vacuum Corp	15¾	10⅝	17½	12½	23¼	13	15	‡ .80
Spiegel, Inc	84	43⅞	114½	63	28¾	8⅝	11	1.00
Standard Brands	19⅛	12½	18⅛	14⅜	16¼	7½	8⅜	.80
Standard Gas & Elec	9¼	1½	9⅞	5⅛	14⅜	2½	5⅝	....
Standard Oil of Calif	41⅛	27¾	47⅝	35	50	28	29⅞	*1.00
Standard Oil of Ind	33⅜	23	48½	32¾	50	26½	34¼	*1.00
Standard Oil of N. J	52⅜	35¾	70⅜	51⅛	76	42	44½	*1.00
Stewart-Warner	18⅞	6⅝	24½	16½	21	5½	10¾	* .50
Stone & Webster	15⅛	2½	30½	14⅝	33⅝	6½	15	....
Studebaker	10¾	2¼	15⅞	9⅛	20	3	5¾	....
Sun Oil	77	60½	91	70	77½	46	47½	‡1.00
T								
Texas Corp	30¼	16½	55¼	28⅞	65⅛	34¾	†41⅜	*2.00
Texas Gulf Sulphur	36¾	28¾	44¾	33	44	23¾	29½	*2.00
Texas Pacific Coal & Oil	9¼	3¼	15¼	7½	16⅝	5⅜	8⅜	.40
Tide Water Assoc. Oil	15⅞	7⅝	21¾	14¾	21⅝	13⅛	15⅜	*1.00
Timken Detroit Axle	13⅛	4⅝	27⅞	12⅛	28⅞	8¾	14⅝	‡1.50
Timken Roller Bearing	72½	28⅜	74½	56	79	36	44	*3.00
Twentieth Century-Fox	24⅞	13	38⅝	22½	40⅞	18½	21½	‡2.50
U								
Underwood-Elliott-Fisher	87¼	53¾	102⅜	74⅝	100⅛	46¼	52¾	‡4.50
Union Carbide & Carbon	75¾	44	105¼	71⅝	111	61¼	74½	3.20
Union Oil of Cal	24	14¾	28½	20¾	28¼	17½	19¾	*1.20
United Aircraft	30⅜	9⅞	32⅜	20⅝	35⅛	10¾	22⅛	‡1.00
United Carbon	78	46	96¾	68	91	43¼	43½	*4.00
United Corp	7¾	1½	9¼	5⅜	8½	2	4	‡ .20
United Fruit	92¾	60½	87	66½	86¾	52	59	*3.00
United Gas Imp	18½	9¼	19½	14⅛	17	9	10⅞	1.00
U. S. Gypsum	87	40½	125¼	80½	137	53	71½	*2.00
U. S. Industrial Alcohol	50⅝	35⅛	59	31¼	43⅝	16⅛	21¾	....
U. S. Pipe & Fdy	22⅝	14¾	63⅞	21½	72¼	24	31	3.00
U. S. Rubber	17¼	9⅛	49⅜	16⅜	72⅜	20	27⅝	....
U. S. Smelting, Ref. & Mining	124½	91¾	103¾	72¼	105	52½	†67	‡12.00
U. S. Steel	50⅝	27½	79⅞	46⅜	126½	48½	57	‡1.00
U. S. Steel Pfd	119¼	73⅝	154¾	115½	150	100¼	107⅞	7.00
Utilities Pw. & Lt., A	4¼	1	7	3⅛	4⅞	¾	1¼	....
V								
Vanadium	21¾	11¼	30⅝	16¼	39⅜	9¼	16⅝	‡1.00
W								
Walworth Co	....	....	12⅜	5½	18¾	3¼	8¼	‡ .25
Warner Brothers Pictures	10¾	2¼	18⅜	9¼	18	4¾	7⅝	....
Western Union Tel	77¼	20⅝	96⅛	72½	83½	25⅛	26⅜	‡2.25
Westinghouse Air Brake	35¾	18	50⅞	34¾	57¾	17¾	26⅜	*1.00
Westinghouse Elec. & Mfg	98¾	32⅝	153½	94½	167⅝	87⅛	110¼	‡6.00
Wilson & Co	9¼	3⅞	11	6⅝	12¼	4⅝	5⅞	.50
Woolworth	65¼	51	71	44¾	65⅜	35	38	2.40
Worthington Pump & Mach	25¼	11¾	36¾	23⅛	47	12	17⅜	....
Y								
Yellow Tr. & Coach, B	9¼	2⅝	23¼	8¾	37⅜	7½	11	....
Youngstown Sh. & Tube	47⅛	13	87¾	41¾	101⅞	34⅛	40½	‡3.25
Z								
Zenith Radio	14¾	1¼	42⅜	11⅛	43¾	12	18½	‡2.00

*—Not including extras. ‡—Paid this year. †—Ex-dividend. a—Accumulated dividends paid or declared this year. b—Cash or stock.

Answers to Inquiries

(*Continued from page 311*)

discount the uncertain near-term prospect, retention is suggested at this time.

U. S. Pipe & Foundry Co.

I have a substantial loss in U. S. Pipe & Foundry bought as a pure speculation at 51¼ earlier in the year. Should I hold the stock for steady appreciation as earnings recover? Or, do you advise "getting out" now?—C. G., Portland, Oregon.

U. S. Pipe & Foundry Co. is the leading domestic manufacturer of cast iron pipe and specialty castings employed principally for water and gas mains. The rate of residential construction tends to directly affect this company's sales, since increased construction activity necessitates extension of water supply and gas main systems. During the first half of 1937, the company reported a 10% gain in net income with the equivalent of $1.90 a common share on the 695,000 shares outstanding comparing with $1.84 a share on 600,000 shares a year before. Operating efficiency has been considerably increased during recent years through wider employment of the "Super de Lavaud process" in producing centrifugally cast iron pipe. The company has exclusive manufacturing rights in the United States for that process. Concentration of manufacturing in fewer plants has also tended to lower operating costs. Despite the decided slackening in construction activity during recent months, business of U. S. Pipe & Foundry is understood to have held up well, and indications point to earnings for the full year approximating those of 1936 when the equivalent of $3.45 a share was recorded. Early in 1936, the company marketed a $5,000,000 issue of 3½% debentures, convertible into common stock at $42 a share to April 30, 1939. The funds so received were used to liquidate bank loans created in connection with the retirement of outstanding preferred stock. Conversion of these bonds has increased the amount of common stock oustanding to approximately 700,000 shares, against 600,000 previously, but this move has naturally strengthened the

position of common stockholders, since funded debt has now been reduced to less than $1,000,000. Considering the normal earning power of the enterprise, that amount of debt is certainly most conservative. In the event that the government program to stimulate home building proves successful, this company should be among the leading beneficiaries.

American Snuff Co.

Year after year, I have continued to hold my shares of American Snuff. Although I remain a dyed-in-the-wool conservative who appreciates his regular dividends and extras, I am beginning to wonder if there isn't something really wrong, in view of this year's drop of some 20 points. Please tell me all you can about this company's possibilities and earnings prospects.—B. N., Milwaukee, Wis.

American Snuff Co. does not release interim earnings statements, but it is felt that the report covering the full year will approximate that for 1936 when the equivalent of $3.32 a share on the common was recorded. In line with other snuff manufacturers, earnings stability has featured the operations of the company for a great many years. The company is among the three principal organizations in the snuff manufacturing business and has built up a wide consumer demand for such brands as "Garrett," "Honest" and "Dental," particularly in the south, where snuff consumption is heaviest. Volume sales have held up relatively well over recent years, although higher tobacco costs have tended to restrain earnings gains. With costs currently tending lower and with little change anticipated in demand for snuff, it seems to us that earnings prospects for the subject organization do not account for the recent unimpressive market performance of the stock. Rather, we attribute this to generally unsatisfactory conditions in the securities markets which have caused liquidation in even the most highly prized investment issues. The capital structure of American Snuff is most conservative, there being no funded debt, with only approximately 35,000 shares of $6 preferred preceding the 434,000 shares of common outstanding. Finances, moreover, are exceptionally strong, current assets, as of December 31, 1936, having totalled $14,891,251, including approximately $6,000,000 in cash and marketable securities, against current liabilities of $880,178. In addition to regular quarterly dividend of 75 cents a share on the common stock, directors recently declared an extra 25 cents a share payable January 3, next, repeating the amount paid a year ago. Considering the company's excellent earnings and dividend records, we believe that the conservatively minded investor will continue to be attracted.

Commercial Solvents Corp.

Four years ago, I inherited 250 shares of Commercial Solvents and know very little about securities. Please let me have your views on this company; and advise me if further holding is indicated.—E. M., Dallas, Texas.

Although the demand for solvents has been increasing over recent years, the keen competitive situation and rising costs have prevented Commercial Solvents Corp. from carrying through to net the improvement enjoyed. In the report covering the nine months ended September 30, 1937, net income stood at $1,102,377, equivalent to 42 cents a share on the capital stock, against $1,667,400, or 63 cents a share in the like 1936 interval. The more recent decline in corn prices is, of course, of favorable significance from a longer range viewpoint, since that commodity bulks large as a cost factor in the manufacture of alcohol. Molasses is also an important raw material of the organization and in order to assure itself an adequate supply thereof, the company, through a subsidiary, owns gathering and storing facilities in the principal sugar producing sections of Porto Rica, Cuba and the United States. The production of whiskey for sale to the distillers and rectifiers since prohibition repeal has stood the company in good stead in the utilization of its facilities during periods of slack demand for grain alcohol. Profits are primarily dependent, however, upon the sale of solvents to a wide list of industries. The paper, rubber, textile, furniture and automobile trades are among the principal customers and volume business naturally tends to fluctuate with activity in these fields. Antifreeze mixtures are in most instances largely comprised of alcohol and while last year demands from this source were held at a minimum as a result of unusually mild weather throughout the country, more normal winter weather this year might well enable the organization to make a much better showing. It was recently announced that Commercial Solvents Corp. had acquired all of the industrial alcohol business of American Commercial Alcohol Corp. and American Distilling Co. The company's capitalization is conservative, being confined to 2,636,878 shares of common stock, while ample cash resources suggest continued dividend payments. In view of the strong position occupied by the company in its industry, and more recent developments tending toward greater stability in the trade, the capital stock would seem to possess interesting speculative possibilities for the pull, with a reasonably secure dividend return.

General Railway Signal Co.

I have been thinking of purchasing General Railway Signal. Please inform me if you believe this equity has the ability to advance rapidly in more normal markets. I understand that the many high-speed trains being added are stimulating sales of its signalling and automatic speed control equipment.—A. F., Chicago, Ill.

Long a dominant factor in the manufacture of railway signals and other safety devices, General Railway Signal Co. has naturally been adversely affected by the low level of railroad earnings during recent years. The improvement which occurred during the first nine months of the present year as a result of increased carloadings and the adoption of new and high speed railway equipment, enabled the company to show earnings equal to $1.41 a common share, after preferred requirements, against a loss of 17 cents a year before. Since that time there have been developments such as declining traffic and higher labor costs, which suggest a low level of operations for the subject organization over early future months, at least. During pre-depression years in the railway field, however, General Railway Signal was a substantial earner, having recorded the equivalent of $8.25 a common share in 1929. It is generally conceded that if the I. C. C. grants any substantial portion of the 15% blanket freight increase requested by the railroads, the equip-

ment needs which have been accumulating over recent lean years will find reflection in a sharp upturn in the volume of equipment business. Since the high speed trains likely to be adopted on a wider scale under more normal conditions earnings-wise require a high safety factor, it may reasonably be assumed that General Railway Signal would come in for a substantial portion of such business. In the meantime, the strong financial status of the company would seem to assure maintenance of dividend payments on the junior equity, while any indication of renewed activity in the railway equipment field as a whole might well be expected to find reflection in advancing quotations for the stock. If acquired during periods of market weakness, therefore, the shares should prove a most profitable holding.

General Cable Corp.

(Continued from page 293)

This, then, narrows the alternatives to two—the preferred and the common. Both issues are speculative and both issues will make money for their owners should public utility buying bring improvement to the business of the General Cable Corp. Which will make the most money largely depends upon the *extent* of the improvement. With moderate betterment a holder of the preferred might reasonably expect to receive not only the $7 annual dividend to which he is entitled but something on account of arrears, perhaps final settlement in the form of stock. In this case he might well find that he had made a more advantageous commitment than one who bought the common. On the other hand, with real improvement, common stock will always make its owners the more money. It becomes, therefore, a question of gauging whether Washington's actions represent a real about-face, or whether they represent grudging concession from which only grudging improvement will result.

The General Cable Corp. is controlled for all intents and purposes by the American Smelting & Refining Co. The latter owns a small amount of General Cable preferred,

Forthcoming Dividend Meetings

Name of Company	Time	Date
Allied Chem. & Dye	10:30	Dec. 28
Amerada*	2:00	Jan. 4
Am. Can	2:15	Dec. 28
Am. Home Prod	11:30	Dec. —
Am. Lt. & Tract. Pfd. & Com	2:15	Dec. 28
American News, N. Y	10:00	Dec. 23
Century Rib Mills Com. & Pfd	9:00	Jan. 4
Cerro de Pasco	2:00	Jan. 4
Cluett Peabody	2:00	Dec. 23
Consol. Cigar 6½ & 7% Pfd.*	4:30	Dec. 28
Consol. Edison, N. Y	9:15	Dec. 27
Crane Pfd	11:00	Dec. 28
Crowell Pub. Pfd	12:00	Dec. 28
Empire Trust Co., N. Y	12:00	Dec. 21
Fed. Dept. St. 4¼% Pfd.*	11:30	Dec. 29
Firestone T. & R	——	Dec. 24
Fisk Rubber 6% Pfd	11:00	Dec. 23
General Mills*	——	Dec. 23
Gimbel Bros. new 6% Pfd.*	10:30	Dec. 21
Glen Alden Coal*	——	Dec. 20
Gotham Silk Hos. Pfd*	4:00	Dec. 20
Hartford Electric Lt	4:00	Dec. 28
Hat Corp. Cl. A & B & 6½% Pfd.*	——	Dec. 28
Hecker Prod.*	9:30	Dec. 22
Hercules Powder Pfd	10:00	Dec. 29
Hershey Choc. Conv. Pfd. & Com	2:00	Dec. 28
Horn & Hardart	10:30	Dec. 28
Interchemical Corp. Pfd. & Com	3:30	Dec. 27
Lane Bryant Pfd	10:00	Dec. 28
Lee Rub. & Tire*	——	Dec. 23
Loose-Wiles Bis. 5% Pfd. & Com.*	11:00	Dec. 27
Maytag $6 1st Pfd. & $3 Pfd.*	2:00	Jan. 4
McCall 6% Pfd	3:30	Dec. 28
McCrory Stores 6% Pfd	2:30	Dec. 23
McGraw Hill Pub	——	Dec. 20
Melville Shoe Com & Pfd	2:00	Jan. 3
Minneapolis-Honeywell*	10:00	Jan. 4
Montreal Lt., H. & P	12:00	Dec. 20
Natl. Distillers Products	11:15	Dec. 23
Natl. Mall. & St. Cast	——	Dec. 22
Natl. Tea Pfd	11:00	Jan. 4
Neisner Bros. Pfd.*	——	Dec. 27
New Jersey Zinc*	2:30	Dec. 29
Newport Industries*	——	Dec. 28
Norfolk & Western Adj. Pfd	10:40	Dec. 28
No. Am. Edison Pfd*	——	Dec. 28
Pan Am. Airways*	——	Dec. 21
Pere Marquette 5% Pfd.*	——	Dec. 21
Philadelphia Co.*	12:00	Dec. 20
Public Service N. J. 6% Pfd	3:00	Dec. 21
Reading Co	2:00	Dec. 28
Revere Copper & Brass Pfd.*	——	Dec. 28
Southern Cal. Ed.*	12:30	Dec. 24
Spicer Mfg. $3 Pfd.*	——	Dec. 20
Spiegel Com. & Pfd.*	11:00	Jan. 4
Telautograph	2:30	Dec. 23
Thatcher Mfg. Pfd	9:30	Dec. 22
U. S. Hoffman Mach. Pfd.*	10:30	Dec. 21
U. S. Smelt. R. & M. Com. & Pfd.*	11:30	Dec. 22
West Va. Pulp & Paper	10:00	Dec. 21
Westvaco Chlorine Pfd	4:45	Dec. 29
Wilson Com. & Pfd.*	12:00	Dec. 28

***—Approximate Date.**

All meetings are on common stock unless otherwise noted.

some 40 per cent of the Class "A" and almost half the outstanding common stock. Although it is sometimes thought to be disadvantageous to buy into a minority situation, or one which approaches such, no such consideration should weigh in this particular case. Here, the question as to whether a stockholder is to make money is not one of intercorporate relationships; nor have matters within the company itself much to do with it; it depends almost exclusively upon Washington's attitude towards the public utilities. If this ultimately should prove to be favorable, one can count upon the General Cable Corp. receiving a full share of the available business in its field—and making money thereon.

Balance Must Be Restored

(*Continued from page 276*)

Such price disparities as were set up in the final phase of the Roosevelt recovery and such price disparities as exist today are not remotely comparable to the broad disparities existing at the bottom of the last depression. The Federal Reserve Board's adjusted business index places the peak of recovery in December, 1936. At the start of that month the index of all commodities was 82.6, that of raw materials 83.2, that of semi-manufactured goods 80.1, that of finished goods 82.9, that of farm products 85.5, that of housefurnishings 83.6, that of metals 87.5 and that of building materials 87.8. There was nothing in these relationships capable of blocking trade, for while farm products, metals and building materials were out of line they were only moderately so.

Last spring when the President denounced high prices for certain products, the index for all commodities was 88.3, raw materials 90.9, semi-manufactured goods 90.41, finished goods 87.1, farm products 96, metals 96.1, building materials 96.6, housefurnishings 90.3. Fnished goods were then out of line but on the *low* side, and among other major price groups the widest spread was 6.3 points, which was smaller than the widest spread at the start of December.

There is nothing in the figures to support the theory that price unbalance *started* the depression. On the other hand, the impact of higher costs on finished goods prices was increasingly felt in later months at the very time when prices of raw materials were beginning to slump. Thus important price disparity began to appear in the picture only after the general deflation had started, and it has been widened in recent weeks rather than corrected.

The latest compilation of the Bureau of Labor Statistics shows a composite price index of 82; with finished goods 86.1, semi-manufactured goods 78.9, raw materials 75.4, housefurnishings 92.1, building materials 93.7, metals 96.1 and farm products 73.4. Raw materials are now out of line on the low side, with finished goods, housefurnishings, metals and building materials out of line on the high side and the maximum spread from lowest to highest group 22.7 points or far more unbalance than existed at the peak of the recovery.

How can balance be restored? Further deflation would be both an undesirable and uncertain remedy, more likely further to widen disparities than to narrow them. Rigid labor costs figure prominently in the present price level of finished goods. Deflation of this price group would be difficult and slow.

Obviously, the most desirable correction would be a recovery in prices of raw materials. To bring it about increased demand would be far more effective than further reduction of production. To have increased demand for raw materials the requirement is that business men have confidence in the present price level and hope for the future. To restore that confidence and hope, we need effective and sincere remedies at Washington.

In this writer's view, early winter will provide both a test and an outstanding opportunity for statesmanship in government and business. Why? Because the turn of the year brings renewed hope and at least temporary halting of deflation even when basic conditions are adverse—because the turn of the year can be counted on to produce at least a modest rebound after a disastrous fourth quarter. That setting would be ideal for confidence-inspiring leadership at Washington. It will provide an opportunity — perhaps the only opportunity for a long time to come—to convert a business rally into the beginnings of a sound recovery spiral.

Will Washington see it and act promptly—or muff the ball? We do not know. The time is short; too short if Congress persists much longer in delaying recovery measures while wrangling over further "reforms" that few seem to want and still fewer comprehend. Still, good news *may* break at any moment. Brother, we'll all be watching for it!

Climax Molybdenum Co.

(*Continued from page 297*)

ited with ownership of more than 80% of the world's known supply of molybdenum and the company is estimated to supply at least 75% of the world demand. "Moly," as it is more familiarly known, is a comparatively new product, from the standpoint of industrial importance. Research activities conducted by Climax have been largely responsible for the growth of the metal to a point where it has become one of the most important alloying agents. In 1929 molybdenum was utilized in only 8% of the alloy steels, but at the present time the percentage is understood to be better than 30 and still gaining. In the ten-year period from 1927 to 1936, use of molybdenum was increased about 700%. With the increasing use of "Moly," the price has been substantially reduced and the production and earnings of Climax have risen.

In 1931, Climax Molybdenum did a gross business of less than $1,500,000. In 1935, however, gross had risen to $6,346,906 and in 1936 increased more than $5,000,000 to $11,536,728. The current year will establish a new high record for the company's output, the total having been estimated at 22,500,000 pounds, as against 15,000,000 in 1936. During the past several years, the company has been engaged in an extensive program involving additional facilities and capacity of the company's mill has been increased to about 10,000 tons daily, as compared with 5,500 tons daily in 1936.

Despite the fact that prices of molybdenum have been steadily reduced, Climax has demonstrated outstanding ability to save a sub-

stantial portion of gross for net income. In 1936, net income of $5,206,111, after depreciation, depletion and taxes, was 45% of gross, and equal to $2.07 a share on 2,520,000 shares of stock, comprising the entire capitalization. Last year's earnings, however, were exceeded in the first nine months of the current year, in which net of $5,338,187 was equivalent to $2.12 a share. For the full year, it is likely that profits will exceed $2.50 a share. Dividends this year have been paid at the rate of 30 cents quarterly and recently a year-end extra of 50 cents was declared.

Representing an equity in a company which appears strongly situated to record substantial future growth, the shares of Climax Molybdenum would appear to possess well defined merit for longer term price appreciation.

Aircraft Profit Makers

(Continued from page 282)

merly Taylor, will account for at least a third of the total. In the medium-size private owner class Waco, Stinson, Beech, Fairchild and three others will have gross sales of about 460 machines in 1937, aggregating about $3,500,000 without engines, the only branch of aircraft manufacturing that shows no appreciable gain over 1936. The light plane sales are double those of 1936. Increased cost of materials and labor, if any, would be reflected in the number of planes purchased, because the builders would have to charge more for their machines, thereby discouraging sales.

The third great market for aircraft is abroad. Our export trade has grown with astonishing rapidity despite various unsympathetic policies of the Administration. Aeronautical exports, including accessores, totalled about $14,000,000 in 1935, $23,000,000 in 1936 and an estimated $35,000,000 in 1937. The best markets, of course, are among the non-industrial nations of the world, but even the others, including Great Britain, have bought from our manufacturers because of the superiority of the equipment. There is no reason why this foreign business should not be retained and developed. There may come a time when the nations of Europe, having loaded their warehouses to capacity with military planes, will want to dump them abroad at cut-rate prices to make room for more modern machines and to keep their factories busy, but they have been doing that very thing at intervals since the World War, without much success. All peoples demand the very latest in their flying equipment, and they never have been successful with cast-off machines. As long as the American manufacturer is permitted to do business abroad he can wage a successful fight against any competition. At least that has been his experience in the past.

The present neutrality legislation is so confused as to purpose and policy, however, that it may be employed at any time to cut off a great deal of our export trade. Embargoes against selling to belligerents are destructive, for two reasons. They may leave the manufacturer holding the bag on a large order that he cannot ship legally, and they enable foreign competitors to take business that otherwise would come here. There have been many occasions when our manufacturers have had to refuse lucrative orders, only to see Great Britain, France, Italy or Germany making the shipments without even a casual thought of neutrality. One of these days Washington may hold officials bright enough to understand that the interests of the United States can be served best by permitting its nationals to sell anything anywhere at any time rather than stand aside and let the armament-mad nations of Europe sell the surplus from their aircraft plants, thus helping maintain their own industries at capacity production and ready for war.

Barring too much interference from politicians and labor racketeers the aircraft manufacturing field offers exceptional opportunities for investment. There are weak spots, of course, and one should not put his money in a company on the strength of future promises. Nor should he hurry to invest in a company that has produced only one or two models which have attracted considerable publicity. A new model may have some strikingly radical features which causes much comment and newspaper publicity. The air forces may even order a few ships of that type. But that does not put a company in the dividend-paying class. To be worthwhile an airplane or aircraft engine company should have a fairly long record of excellent achievement before it is worth anything as an investment. There are plenty of companies that warrant reasonable confidence, and there are many ways by which the prospective investor can secure accurate information about any first class organization. If he cannot procure such information, he should recognize a red light when he sees it, and stop. One more word of advice: No company's present or future prospects warrant putting all your eggs in one basket. Diversify is a good rule in any kind of business; and it is a particularly sound rule when investing in aircraft securities.

Business or Politics

(Continued from page 274)

Under such circumstances it is to Congress rather than the White House that the business man, large and small, must look for relief. There the outlook for private capital grows brighter every day. There is a new note in the symphony of revolt among Democrats on Capitol Hill. Whereas they defied the President on specific pieces of legislation at the last session, now they disown him personally and politically. In the unwillingness of House and Senate leaders to enact his four-point program, and in their insistence on giving preference to pro-business legislation, Washington is witnessing the first stage of the 1940 conflict. Old-fashioned Democrats, including Vice-President Garner, Speaker Bankhead and Senator Pat Harrison, are determined to force Congress and the party back into conservative channels before it is too late—before the voters decide to visit upon them the economic and political sins of the President. Last session they spiked his legislative program, now they repudiate his general philosophy.

Uninformed observers cite the futility of the special session as evidence of party chaos. In reality it was an exhibition of party conspiracies. The leaders were determined not only to knife the President's own program — farm, wages-and-

hours, multiple-power and government reorganization measures—but also to win precedence for consideration of a series of anti-recession measures. Lack of preparation prevented them from forcing action on their own bills, but they did sidetrack provocative, presidential proposals. They also wrested from him admission of the need for revising burdensome taxes, for stimulating the housing industry, for making friends with the utilities. At next January's regular session they will make good on these promises with or without a presidential blessing.

The real power at Washington now resides in Congress rather than in the White House, in John Nance Garner rather than in Franklin Delano Roosevelt—and even the latter seems to recognize it. Otherwise there is no explanation for his failure to submit a hard-and-fast program to the special session with his usual forcefulness, or for his Florida trip at a moment when he should have been applying the pressure to the boys and girls of his own party. He sensed, quite obviously, that they would not heed him, and so he chose to avoid a showdown at this time.

It would be premature, however, to conclude that his economic and political buffetings have chastened Mr. Roosevelt. On the contrary, he is slightly embittered and resentful. He will not concede that his policies have failed to improve conditions basically or permanently, figuring that the recession is a phenomenon wholly unrelated to his acts as the nation's manager. Indeed, some of his closest aides profess to be happy over the present situation, and to feel that "the chief" cannot lose, politically, no matter how the so-called truce eventuates. If it promotes recovery, he will claim and probably capture the credit. If the slump persists, he will have an alibi that may sound convincing to the mass of voters.

He will also have the federal treasury as the golden source of new relief funds should the present hard times threaten to jeopardize his New Deal ticket by persisting until 1940. It is a novel consideration which most people forget in forecasting the next presidential contest. Ordinarily a people's economic ups and downs decide their elections. In past years the party in power was wont to throw up its hands in the face of dwindling employment and lengthening bread lines, and to accept defeat philosophically. But under the Roosevelt system Washington will meet such a crisis by feeding and clothing and housing the millions of unemployed, and capitalize on the issue of "humanity" for political purposes. After all, people must eat—and politicians must be reelected!

Barring a quick upturn which Business can ballyhoo as its own legitimate child, to such a pass have recession politics brought the nation.

How Leading New Issues Have Fared Marketwise

(*Continued from page* 302)

when the inherently speculative nature of the business is brought home during slump. Hence, while the Bethlehem Steel 3½s are good bonds in the sense that no portfolio need feel ashamed of containing a few of them they are not so good as to entitle them to sell on a 3½ per cent basis in the present money market.

In the case of the Continental Can preferred, although the more liberal return unquestionably played its part, the main reason for this issue's outstanding success in the midst of a bear market appears to lie in the company's long record of good earnings. The depression never meant anything to the Continental Can Co.: nor is there any reason to believe that the present "recession" carries a different outcome. Strongly backed by stable earnings is what makes the preferred stock of this company a real investment issue.

This same reason serves also to explain why most of the public utility bonds sold recently have held up so well during the general decline in security prices. Fundamentally, the public utility industry is the ideal one on which to have bonds rest. Unless interfered with by government, it meets the stability of earning power test better than any other.

On the other hand, if this is true how is it that the $4.50 preferred of Consumers Power which was brought out at 100½ can be bought today at 83? Why should it not be selling on a basis comparable to the Continental Can preferred? Frankly,

we believe it should be so selling on its merits: moreover, we believe that the two issues *would* be selling on a comparable basis, except that the Government shows no real disposition to alter its policy of persecuting the industry. When output of electric power was making new record-breaking highs every week, investors were lulled by the thought that this would be an offset to any damage Government might do. But now that electric power output has commenced to trend downward and, despite talk, nothing concrete has been done to lift the burden of persecution from the backs of the utilities, the old fears have risen to affect all public utility securities, other than underlying bonds which are not threatened as yet.

The lesson for the investor in what has happened is quite clear cut. If it is something strictly high-grade he wants, he should conjure up the worst possible business picture he can and ask himself, "Where will the prospective security be selling under these conditions?" If the answer is satisfactory, then he has the high-grade security for which he was searching.

Profits in Fair Weather and Foul

(*Continued from page 285*)

recently as 1927, allowing for a 300 per cent stock dividend in 1935 and 100 per cent stock dividend in 1927. It is perfectly clear that The Coca-Cola Co. has been a veritable gold mine for its owners even in the short space of ten years—ten years which contained the worst depression in the history of the country. Is the company likely to do as well over the next decade as it did over the last? Frankly, there appears to be no great danger of senility, although one looking into the future of the company would lack a detached viewpoint if he failed to investigate the possibilities of competition or the possibilities of narrowing profit margins brought about by increasing costs.

In regard to the first point it is natural that no product could be as successful a moneymaker as Coca-Cola has been and avoid attracting imitators. The Coca-Cola Co., by recourse to the courts, has made it as hard as possible for would-be imitators and has been ever alert in attacking infringement, but possibly with a success which has been somewhat less than perfect. All kinds of "Colas" have made their appearance from time to time, some of which have been held to infringe the Coca-Cola trade name, while others, to a layman having no material difference, have been held to be no infringement.

Hence, while one may, for example, enter a soda fountain in New York City and demand a Coca-Cola, only to be told: "Sorry, sir, we do not handle *Coca*-Cola but we have some very nice XYZ-Cola which we believe to be just as good and for which you do not have to pay if you don't like it"; it is to be doubted that these competitive efforts will do The Coca-Cola Co. very much damage for a long time to come.

Turning now to the matter of costs; the item in this category which is most important to The Coca-Cola Co. is sugar. It is not known exactly how much sugar the company uses in the course of a year, but at the rate at which people are currently drinking its product, one may surmise that consumption is running closer to 200 million pounds a year than to 150 million pounds. At the end of last year, Coca-Cola was carrying its inventory of which the greater part undoubtedly was sugar at $12,600,000—a sum which represents a lot of sugar even though all of it, which it is not, is figured on a fully duty paid domestic basis.

If one accepts the guess that The Coca-Cola Co. is using sugar at the rate of 180 million pounds a year, it may be reasoned that for every cent by which this commodity advances earnings are reduced by the equivalent of 45 cents a share. Though it may be assumed for practical purposes that the selling price of Coca-Cola is fixed at five cents a drink, it is most unlikely that the company will ever face ruin because of advancing sugar prices. In the first place, the potential supply of sugar is very much against this commodity attaining ridiculously high levels. The only time in its half-century of existence that The Coca-Cola Co. has ever been seriously embarrassed by the price of sugar was in the post-war boom. And we don't have World Wars every day. Following this experience, contracts were re-written with bottlers whereby they agreed to absorb an advance in sugar prices beyond a certain point and, this affords a certain amount of protection. In any event, it might be noted that The Coca-Cola Co. carries a reserve for contingencies of $10,000,000 which ought to be ample to carry it over any short stretch of bumpy road without inconvenience to the stockholders.

It would seem, therefore, that even diligent search for adverse possibilities fails to make up much of a case for The Coca-Cola Co.'s imminent demise. One might point out perhaps that there exist stocks of other companies which will move faster and further than that of The Coca-Cola Co. On the other hand, should the present recession in business go further than currently seems likely, there will be many who will wish that they had not shot for the maximum profit but instead had contented themselves with The Coca-Cola Co. with its promise of less sensational, albeit steady, growth.

Taking Profits Out of Stock Habits

(*Continued from page 295*)

penetration of this diagonal trend occurred (G) at 37 to reverse the position to long stock with a loss of one point.

The larger pattern of horizontal lines between the limits of 36 and 40 at this point was now clearly defined, culminating in a false break out at 41. At this juncture the first opportunity to trade within a parallel trend was afforded. The reasoning at this point was if the breakout at 41 did not prove to be false with the stock resuming the upward trend the position could be reversed with a relatively small loss. On the other hand, if the downside bar was reached again a profit of four points could be attained. Two hundred shares were sold (H) at 40 for this reason and also because the upside penetration at 41 was not convincing due to lack of volume. The latter reasoning was secondary as the original plan of action was to trade

BOOKS . . . . . .

FOR THE BUSINESS MAN

1. THE A B C OF MUNICIPAL BONDS

Louis S. Lebenthal **$1.50**

If you want to learn all about municipal bonds in the quickest way possible, by all means read this book. It was prepared particularly for the layman and investor, but will also be found helpful to municipal bond salesmen and city officials confronted with the problem of financing city projects. The author has tried to make the text as free as possible from technical terms and phraseology. By using an interesting narrative form of history as to the methods of originating and distributing bonds, he answers many frequently raised questions about this type of investment.

2. COMPASS FOR STOCK MARKET SUCCESS

Rolf Carroll **$2.00**

Here is a comparatively simple method of trading based upon the most fundamental of all laws—the rule of Supply and Demand. The author says that changing economic conditions, corporate earnings, dividends, reports and prospects, political influences, etcetera, need not be studied with this method of day-to-day trading. The important factors are merely the prices as shown on the ticker, and he shows exactly how, by simple computation, to determine accurately the direction of the market. He also gives rules for buying and selling.

3. THE DOW-JONES AVERAGES **$5.00**

To both technical and non-technical readers, Part I of this comprehensive eighth edition provides the necessary data for Dow-Theory study. Its loose-leaf structure is an innovation enabling the student of averages either to post data, or file data which can be obtained through a supplementary service for the moderate fee of 25c per month or $2.00 annually. Part 2 comprises compilations, and charts of the averages of Boston News Bureau mining stocks; defaulted rail bonds, municipal bonds and commodity futures. The last part includes compilation and averages of the London Financial Times of British industrials and rails, and Barron's prices and earnings of 50 stocks.

4. SUNSPOTS AND THEIR EFFECTS

Harlan True Stetson **$2.00**

Here is just the book for those who are anxious to discover some new reason for slumps and depressions. The federal government, in particular would heave a sigh of relief to find that the recent slump was merely the effect of sunspots! This book presents what we know about sunspots, and their effects on human life. The author outlines the factual evidence available, and examines critically some of the more plausible theories advanced. He does not attempt to reach final conclusions where evidence is incomplete, but he does indicate the directions in which it seems reasonable to expect progress will be made. The book contains some amazing charts showing the close relation between sunspots and stock market averages.

5. INTERPRETATION OF FINANCIAL STATEMENTS

Graham & Meredith **$1.00**

This compact little book will be of infinite use to every owner of stocks and bonds. Its purpose is to explain clearly and concisely how to read balance sheets and income accounts and so enable you to form your own judgment of a security. The authors have had a great deal of practical experience in investment firms and also in instructing courses in security analysis at the New York Stock Exchange Institute. Particularly useful for the non-professional investor is the glossary of nearly 300 definitions of generally used financial terms.

6. AMERICA FACES ITS GREATEST BUSINESS DEPRESSION

William J. Baxter **$1.50**

Although this book may seem a little too hopeless and pessimistic, in view of the general theory that we are recovering from our greatest depression it presents many alarming facts that will cause you to stop and think. In a world still gullible enough to believe that government officials can successfully control markets and business, it shows that rapidly moving world forces, far beyond their control, govern the present situation. For the investor, industrialist, and financial executive, it tells how this nation, prepared for an inflation boom, has made American business so vulnerable that it now faces the most serious crisis in its history.

7. MODERN BANKING

Rollin G. Thomas, Ph.D. **$3.80**

A text book for students of banking, giving, first of all, the basic knowledge required for an intelligent approach to the banker-customer relationship, and secondly, a working knowledge of current banking practices.

8. YOUR WILL and what not to do about it.

Rene Wormser **$2.00**

A lawyer, specializing in wills, explains to the layman their intricacies and pitfalls. He discusses how to make a will, how to change it, how to avoid a contest after your death, and how to keep it from shrinking during its administration through taxation, etc.

9. INTERNATIONAL RAW COMMODITY PRICE CONTROL **$3.50**

An analysis of the price trends of nine important raw commodities that have been subjected to monopoly or semi-monopoly control in recent years. It describes the various steps in attempted control and the effects of depression and changing conditions.

10. ENCYCLOPAEDIA OF BANKING & FINANCE

Glenn G. Munn **$12.00**

A revised one-volume edition of Munn's well known encyclopaedia, giving explanations of over 3500 subjects, full texts or resumes of banking laws, and much special matter often required by bankers and financial executives. Will be helpful also to the student.

11. EXECUTIVE'S DATA BOOK **$1.00**

A vest pocket diary containing all manner of information vital to the executive such as the law of contracts, federal tax calendar and rates, social security taxes and benefits, communication information, chain discount equivalents, maps, and other features.

Book Service Department Dec. 18
The Magazine of Wall Street
90 Broad Street, New York City

Enclosed is a remittance of $........ Please send me the following books I have checked:

( ) 1. ( ) 2. ( ) 3. ( ) 4. ( ) 5.
( ) 6. ( ) 7. ( ) 8. ( ) 9. ( ) 10.
( ) 11.

NAME ....

STREET ....

CITY .... STATE ....

only on penetrations and within trend lines.

With a short position of one hundred shares at 40, the stock quickly reacted to the lower parallel bar at 36 where two hundred shares were purchased (I) at that level to show another profit of four points.

The movement, however, did not halt at the lower limit of the trend and a penetration occurred (J) almost immediately after the reversal of position at 36. It was then necessary to take another loss of one point by the sale of two hundred shares of stock at 35. Thus far, sound principles of trading had been attained since losses were small and profits substantially greater than losses.

The stock quickly receded to the 32 level and after some backing and filling formed a horizontal trading range between the limits of 31 and 34. In late August a downside penetration occurred at 30 but the prevailing short position precluded any action on the piercing of the trading range. An upper diagonal parallel trend line could now be constructed but the lower limit was not defined until the stock declined to the 17 and 16 level. The severity and length of this decline was ample reason to reverse the position to long stock within the trend during the climactic selling of October 19th in the hope of selling the holding at least at a price of 20 on the upper parallel trend bar.

As it happened, a two hundred-share buy order at the market (K) was filled at 18 with a gross profit of seventeen points. On October 20th, the stock sold as high as 22⅞ and a market order was placed to sell two hundred shares at the opening on the following day as the upper limit of the trend lines were reached. The stock opened at 24 (L) and the position was reversed with a six-point profit.

On this move the breakout (M) of the trend made it obligatory to re-purchase two hundred shares immediately at 24 with no loss. A horizontal trend then developed between the limits of 22 and 25, with a false penetration at 26. There was no opportunity to trade within this trend and action was not necessary until the downside breakout (N) occurred at 21. Here two hundred sales were sold at a loss of three points.

At the present time the position now stands one hundred shares short at 21 and a new trend is being awaited. Thus far an upside diagonal bar has been formed but the downside limits have not been defined. It may be possible that a diagonal trend is in the process of formation. There is also the possibility of a horizontal trend forming between 19 and 21. No conclusions are as yet justified and only patience is required to await the new construction.

On looking back over the action taken on the various transactions in the stock in line with the prescribed rules set down at the beginning of operations it can readily be seen the trading is not 100 per cent perfect. In some of the long periods of inactivity the trader's patience was sorely tried but the cumulative results as shown in the tabulation on page 295 have indeed been gratifying.

The Best and Worst Actors in Leading Groups

(*Continued from page* 301)

"AB" brakes. All new and rebuilt freight cars must be equipped with this new brake and the brakes on the old ones in use in interchange traffic must be replaced by the end of 1944. Only about 10 per cent of this program has been completed to date. In the first nine months of this year Westinghouse Air Brake earned $5,838,134, or $1.88 a share on 3,106,818 shares of capital stock, comparing with $2,503,764, or 80 cents a share in the same period last year. With the recent declaration of $2 in dividends out of paid-in surplus, of which only $1.25 will be paid this year, stockholders will be assured of at least 75 cents in dividends next year. Having sold at a high of 57¾ this year, the shares of Westinghouse Air Brake at recent levels around 26 may be conceded a measure of attraction for longer term acquisition.

All issues comprising the Iron and Steel Group declined 50.2 per cent between August 14 and November 27, a drop which was appreciably greater than that experienced by the market as a whole. A ready explanation of this worse-than-average performance of the Steel Group is to be found in the rapidity with which the rate of steel operations faded as the leading consuming industries effected drastic reductions in their takings and let inventories run off. From a high this year of nearly 93 per cent of capacity steel operations suffered a precipitate decline to less than 30 per cent of capacity. Operations have been holding fairly firm around the latter level for the past several weeks, with the result that the belief is growing that the decline has practically run itself out and some improvement may be witnessed in the early future. Meanwhile, inventories in the hands of consumers have been materially reduced, although buyers are continuing on a hand-to-mouth basis, apparently awaiting more definite confirmation of the present price structure. It is not unlikely that prices may have to be lowered, in which event they may prove a timely stimulant to buying.

As in other leading industrial groups, considerable divergence can be found in the market action of individual steel issues. American Rolling Mill shares, for example, declined only 40 per cent, turning in a better performance than the Steel Group as a whole, whereas Youngstown Sheet & Tube shares registered a drop of 69.3 per cent.

While it would be possible to cite numerous factors which have been taken into consideration by the relative market appraisal of these two steel issues, probably the most dominant concerned the extent to which the two companies might be affected by a slump in general business and the capital goods industries specifically. Being the largest manufacturer specializing in the manufacture of steel sheets, it has been the opinion of the market that American Rolling Mill is better situated to cope with a business recession, based on the reasoning that demand for the lighter forms of steel may be expected to hold up better than in the case of the heavier types. Although still properly classified as a "heavy" steel manufacturer Youngstown has made notable progress in recent years in diversifying its operations to embrace a sizable percentage of lighter steel products. The effects of this program were apparent last year when the company's operations

averaged 71 per cent of capacity, considerably higher than either Bethlehem or United States Steel. It is quite possible, therefore, with the benefit of a greater diversity of output, that Youngstown may fare much better through a temporary recession in business, and conceivably the market may prove to have been unduly pessimistic of the company's near term earning power.

This year Youngstown will probably earn between $7 and $7.50 on its common stock, which would compare with $7.03 a share last year. Dividends paid have aggregated $3.25. Selling around 41, the shares are some 60 points under the current high and at these levels they would appear to possess interesting speculative possibilities. American Rolling Mill should earn around $3.50 a share and the company has paid dividends totaling $2 a share. At recent levels around 24, the shares are 21 points lower than their 1937 high, and in their price bracket they warrant favorable consideration as a longer term medium.

Like the railway equipment industry, the building industry is a major industry for which it is possible to discover statistically huge potentialities (see page 286) which, also like the railway equipment industry, have been prevented from being realized to any considerable degree by a distorted relationship between consumers' needs and consumers' ability to satisfy them. Earlier this year construction, although still sub-normal, was displaying distinct signs of revival. Rents were rising, a condition which has always provided considerable impetus to home ownership. Building costs, however, also rose and to a point which tended to discourage many potential home owners and builders.

The Construction Group at its low point showed a decline of 50 per cent from the August 14 levels. Subsequently, however, encouraged by the initial efforts of the Administration to stimulate home building, the group recovered considerable ground and the net decline by November 27 was less than 40 per cent. Between August 14 and November 27, the shares of U. S. Gypsum, a leading manufacturer of gypsum board, plasters and other building materials, registered a decline of 48.3 per cent. The shares of Ruberoid Corp., on the other hand, declined only 35.1 per cent.

Ruberoid is an old established manufacturer of asphalt shingles and asbestos insulating materials and despite the company's close association with the widely fluctuating building industry it has been able to pay dividends without interruption since 1889. This record has been made possible by two conditions—the company's modest capitalization, and the more sustained replacement demand, year in and out, for its products. Early this year the company's shares were split three-for-one, yet there are at the present time only 397,806 outstanding, comprising the entire capitalization. In the first nine months of this year, net of $805,470 was equal to $2.02 a share, comparing with $607,862 in the same period of 1936. The total value of current dividends amounted to $2 a share on the present stock. Present levels for the shares around 22 compare with the 1937 high of 38 and the former figure is only slightly more than ten times nine months' earnings.

At the prevailing price of 68, U. S. Gypsum shares are 69 points under their current high. Nine months' earnings were equal to $3.73 a share, comparing with $3.17 a share in the same period last year. Estimating earnings for the full current year at about $4.30 a share, the stock is not particularly undervalued, but as a longer term stake in the possible revival of the building industry, U. S. Gypsum shares have well founded merit.

Where Industries Stand Today

(Continued from page 277)

true and in each case the investor will have to examine the reasons as well as the results. Thus, cotton textiles for 1937 are shown to have been at a higher level than in 1929, but this industry is not an inviting one for investment, as the erratic ups and downs of its profits, even during fairly good times, shows. Again, a new peak for utility sales does not necessarily indicate a dynamic earnings prospect, for regulation has prevented proportionate growth of profits. On the other hand a new high for the machine tool industry, in a setting of only partial recovery in capital goods activity, suggests dynamic longer term possibilities.

The most important laggards are building, rail equipment and electrical equipment. We cannot have a major recovery cycle without substantial improvement in these activities. On the basis of need, the potentialities in all are enormous. Whether in 1938 they will fare even as well as in 1937—much less lead us to better times—depends very largely on what the Government does in coming months to encourage active employment of private capital.

Hope Dawns for Spain

(Continued from page 289)

Telephone and Telegraph Company, which, through its subsidiary, the *Compañía Nacional de Teléfonos de España*, operates the telephone system of the entire nation. Its present outstanding investment in Spain totals $66,660,964.41, or about 20 per cent of I. T. and T.'s total investments. At the outset of hostilities in the Peninsula—i.e., July, 1936—the number of telephones in the Spanish system was 329,130, or approximately 36 per cent of the total, 910,435, of all those in operation by the I. T. and T. subsidiaries abroad. Current advices from Spain are to the effect that all private telephones of the system in both the government and Nationalist territories are functioning almost 100 per cent and that, except for sporadic and isolated "spy scares" and other occasions of alarm, the military censorship is well-nigh nonexistent in both territories.

Apart from the damage to buildings of the Spanish telephone company, which has been heavy and especially to those at Madrid and Barcelona, its two major exchanges. Except for the loss of subscribers and the intermittent suspension of service due to civil disturbance, the actual loss sustained has been neither very great nor one to be regarded as final.

Anomalous as it may seem, the furious bombardments to which the telephone structures have been sub-

IN THE NEXT ISSUE

A Preview of 1938

Business and Industry
Corporate Financing
Inflation or Deflation
Retail Trade
Raw Material Prices
Political Trends

By JOHN D. C. WELDON

mitted have not put the central office "banks" and trunklines, which are the "heart" of every exchange unit entirely out of commission. They continue to function. Therefore, the outlook for physical injury to the company's property at the present time is much less disturbing than might have been expected in a war of such magnitude. One reason for this, of course, has been that both contending forces have felt the necessity for maintaining the telephone plant as its major means of communication.

The General Motors Peninsular and Compañía Ford Motor Ibérica whose big assembling plants at Barcelona were confiscated the day of the revolt, July 19 of last year, and their entire personnel supplanted by picked crews of Anarcho-Syndicalists held in readiness for the *coup,* are other outstanding American entities affected. Both factories have since turned out tanks and military trucks and other equipment for the use of the government forces. All motor-cars and trucks in stock at the time of taking over, including those on the showroom floors of Barcelona G. M. and Ford agency and dealer establishments throughout the government territory embraced in the Anarchist seizure activities, were confiscated and straightway devoted to military purposes. Simultaneously the funds of the acceptance units maintained by both organizations in the government area were impounded. There is however little doubt that suitable indemnities will be made and that properties will ultimately be turned back to their original owners.

Chrysler Corp. was more fortunate than its competitors in that the proposed assembly plant at Bilbao had not yet materialized when the revolution broke out.

Another group affected is the eight principal Hollywood motion-picture film distributors — Metro-Goldwyn-Mayer, Twentieth Century - Fox, Universal, Warner Brothers - First National, Radio, Paramount, Columbia and United Artists—which maintained their central headquarters at Barcelona and branch offices and warehouses at Madrid, Bilbao, Valencia, Seville and other interior centers. Their operations consisted of the "dubbing," or Spanish language-dialoguing, of films imported from this country. These films are distributed throughout Spain and Spanish Morocco and, also, exported from Spain, as "Spanish exports," to the Spanish-speaking republics of South America and elsewhere.

It is estimated that the American film group in Spain had an aggregate of 8,500,000 pesetas awaiting dollar conversion and export to this country when the revolution broke. At that time the Spanish peseta was quoted at 7.30 to the dollar. (The government issue now rates 44 to the dollar; that of the Nationalist *regime* 8.53 to the dollar.) This sum represented net profits and interest payments due from the Spanish affiliate companies. The home principals met the condition created by the outbreak by cessation of film exports to Spain, in some instances, and by drastic reduction in others and, of course, "dubbing" operations were indefinitely suspended. The physical properties of the Spanish establishments, classed, of course, as "assets of Spanish corporate units," remain intact, as do the large film stocks existent at the start of hostilities, which are leased, but never sold outright and, so remain legally the property of the New York film-export subsidiaries.

A huge aggregate of American importers into Spain of general merchandise, including those of electrical and radio goods, clothing, machinery, drugs and foodstuffs, round out the grouping of our interests which have sustained the greatest measure of financial loss.

The factories of Armstrong Cork and other companies at Seville and cities on both sides of the war front have suffered mainly from the disruption of their schedules and, now and then, from the recruiting of their labor for military service, but their plants have sustained no major loss nor damage, and, by reason of the fact that they are established as valuable factors in Spain's export field, they may be expected to fare better than other American concerns operating in Spain.

As I See It!

(*Continued from page* 269)

sound—with the proper amount of give and take. All the virtues are not concentrated in any group whether it is labor—business—or government.

I think the way is now open for business and government to get together for the benefit of the whole people. The Administration or the Democratic majority in Congress would not "lose face" by correcting obvious and undeniable mistakes or by taking the leaders of organized business into their councils. On the contrary, it would enhance its national standing. We had a recovery program in 1933—formulated entirely by government and overloaded with reform. It did not prove to be the answer. The time has come to draft another one. Let it spring from the President, Congress and Business working together.

Machine Tool Industry Faces Favorable Prospects

(*Continued from page* 291)

machine tools on the part of the automobile industry for 1939-cars will be materially above those of the present year.

Weighing all considerations, one may conclude that the outlook for machine tool builders — and also builders of machinery generally—is on the whole a bright one. Although the news over the next few months may blow first hot and then cold, it is to be remembered that the stocks of these companies are materially under their best levels and are today at a price which discounts much in the way of adverse developments. Accompanying this discussion there will be found a table which contains the names of a number of the leading machine tool and machinery manufacturers with a comment which indicates their particular division of the industry.

s ex-
ed to
n con-

nt of
s are
group
s—or

n for
t to-
vhole
r the
gress
cting
es or
nized
n the
s na-
very
en-
over-
prove
has
et it
gress

nces

the
-cars
f the

one
k for
also
y—is
ough
nths
cold,
the
ma-
and
dis-
verse
this
able
um-
and
h a
par-